Economic Growth

Culture and Communications

A Study Team Report
to the Task Force on Program Review

CULTURE AND COMMUNICATIONS

A STUDY TEAM REPORT
TO THE TASK FORCE
ON PROGRAM REVIEW

AUGUST 1985

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CONTENTS

FOREWORD i

TERMS OF REFERENCE 1

LIST OF TEAM MEMBERS 7

INTRODUCTION 11

OVERVIEW 15

ECONOMIC ISSUES OF CULTURAL SUBSIDIES 45

'ARM'S LENGTH': PUTTING PRINCIPLE INTO PRACTICE 55

NATURAL AND CULTURAL HERITAGE

Overview 75
National Museums of Canada 82
Archival Operations 110
National Library of Canada 122
National Historic Parks and Sites 128
National Battlefields Commission 133
National Postal Museum 135
National Currency Museum 138
Insurance Program for Major Travelling Exhibitions 140
Moveable Cultural Property Secretariat 142
Historical Division -- External Affairs 144

PERFORMING ARTS

Overview 147
Canada Council in General 152
Performing Arts Section -- Canada Council 162
Explorations Program -- Canada Council 177
Arts Awards Service -- Canada Council 179
National Arts Centre 181
Public Activities Program -- National Capital Commission 188
Performing and Visual Arts Program -- Secretary of State 192
Cultural Policy and Arts Promotion Divisions -- External Affairs 195
Programs of Cultural Initiatives -- Department of Communications 204
Cultural Affairs Program -- Department of Communications 209

CONTEMPORARY ART ACQUISITION AND VISUAL ARTS

Overview 213
Art Bank -- Canada Council 218
Arts Acquisition Program -- National Capital Commission 225
Inuit Art Section -- Indian Affairs and Northern Development 227
Indian Cultural Development and Art Program -- Indian Affairs and Northern Development 231
Contemporary Art Acquisition Program -- National Gallery 234
Fine Arts Program (Defunct) -- Public Works 236
Visual Arts Program -- Canada Council 238

BROADCASTING AND FILM AND VIDEO

Overview 243
Canadian Broadcasting Corporation 254
Northern Native Broadcast Access Program 263
Telefilm Canada 267
National Film Board 275
Film and Video Programs -- Canada Council 283
Canadian Film and Videotape Certification Office 285
Cité du Cinéma 287
Canadian Government Film and Video Centre 291

WRITING AND PUBLISHING

Overview 295
Book Publishing Development Program 308
Writing and Publication Program -- Canada Council 314
Export Development Programs -- External Affairs 323
Aid to Scholarly Publications Program -- Social Sciences and Humanities Research Council of Canada 326
Aid to Learned Journals Program -- Social Sciences and Humanities Research Council of Canada 329
Scientific Publications Grants -- Natural Sciences and Engineering Research Council 331
Federal Co-Publishing Program 333
Arts Promotion Program (Literature) -- External Affairs 336
Writing and Publication Program -- Secretary of State 340
Awards Service -- Writing -- Canada Council 343
Concessionary Postal Rate Subsidy 346

CITIZENSHIP AND GENERAL CULTURE

Overview 353
Voluntary Action Program 357
Women's Program 360
Multiculturalism Branch -- Secretary of State 365

TAX EXPENDITURES AND OTHER INDIRECT SUBSIDIES FOR ARTS AND CULTURAL ACTIVITIES

Overview 373

MISCELLANEOUS PROGRAMS

Overview 383
Federal/Provincial Planning Agreements for Culture 384
Culture Statistics Program 394
Ceremonial Guard 397
Military Bands 399
Musical Band and Musical Ride 404
State Ceremonies 406
National Exhibitions 410

RECORD OF CONSULTATION 413

FOREWORD

The Task Force on Program Review was created in September 1984 with two major objectives - better service to the public and improved management of government programs. Recognizing the desirability of involving the private sector in the work of program review, assistance from national labour, business and professional organizations was sought. The response was immediate and generous. Each of these national organizations selected one of their members to serve in an advisory capacity. These public spirited citizens served without remuneration. Thus was formed the Private Sector Advisory Committee which has been responsible for reviewing and examining all of the work of program review.

The specific program reviews have been carried out by mixed study teams composed of a balance of private sector and public sector specialists, including representatives from provincial and municipal governments. Each study team was responsible for the review of a "family" of programs and it is the reports of these study teams that are published in this series. These study team reports represent consensus, including that of the Private Sector Advisory Committee, but not necessarily unanimity among study team members, or members of the Private Sector Advisory Committee, in all respects.

The review is unique in Canadian history. Never before has there been such broad representation from outside government in such a wide-ranging examination of government programs. The release of the work of the mixed study teams is a public acknowledgement of their extraordinarily valuable contribution to this difficult task.

Study teams reviewed existing evaluations and other available analyses and consulted with many hundreds of people and organizations. The teams split into smaller groups and consulted with interested persons in the private sector. There were also discussions with program recipients, provincial and municipal governments at all levels, from officials to cabinet ministers. Twenty provincial officials including three deputy ministers were members of various study teams.

The observations and options presented in these reports were made by the study teams. Some are subjective. That was necessary and appropriate considering that the review phase of the process was designed to be completed in a little more than a year. Each study team was given three months to carry out its work and to report. The urgent need for better and more responsive government required a fresh analysis of broad scope within a reasonable time frame.

There were several distinct stages in the review process. Terms of reference were drawn up for each study team. Study team leaders and members were appointed with assistance from the Private Sector Advisory Committee and the two Task Force Advisors: Mr. Darcy McKeough and Dr. Peter Meyboom. Mr. McKeough, a business leader and former Ontario cabinet minister, provided private sector liaison while Dr. Meyboom, a senior Treasury Board official, was responsible for liaison with the public sector. The private sector members of the study teams served without remuneration save for a nominal per diem where labour representatives were involved.

After completing their work, the study teams discussed their reports with the Private Sector Advisory Committee. Subsequently, their findings were submitted to the Task Force led by the Deputy Prime Minister, the Honourable Erik Nielsen. The other members are the Honourable Michael Wilson, Minister of Finance, the Honourable John Crosbie, Minister of Justice, and the President of the Treasury Board, the Honourable Robert de Cotret.

The study team reports represent the first orderly step toward cabinet discussion. These reports outline options as seen by the respective study teams and present them in the form of recommendations to the Task Force for consideration. The reports of the study teams do not represent government policy nor are they decisions of the government. The reports provide the basis for discussion of the wide array of programs which exist throughout government. They provide government with a valuable tool in the decision-making process.

Taken together, these volumes illustrate the magnitude and character of the current array of government programs and present options either to change the nature of these programs or to improve their management. Some decisions were announced with the May budget speech, and some subsequently. As the Minister of Finance noted in the May budget speech, the time horizon for implementation of some measures is the end of the decade. Cabinet will judge the pace and extent of such change.

These study team reports are being released in the hope that they will help Canadians understand better the complexity of the issues involved and some of the optional solutions. They are also released with sincere acknowledgement to all of those who have given so generously of their time and talent to make this review possible.

TERMS OF REFERENCE

There are 90 programs listed in Annex A through which the government supports various aspects of Canadian artistic and cultural life, broadly defined. These programs in 1984/85 cost a total of about $2.5 billion and involve about 18,000 person-years.

The study team will examine the appended list with a view to making any necessary additions or deletions. It will structure its examination by type of programs as follows:

a) programs designed to provide information and knowledge to Canadians about the natural and cultural heritage of their country;

b) programs designed to promote the writing, publication and reading of Canadian books, magazines and articles;

c) programs designed to promote the performing and visual arts including film;

d) programs designed to assist individual Canadians, groups and organizations to participate fully in Canadian society and to enjoy the benefits of Canadian citizenship;

e) broadcasting and communications programs designed to transmit information and cultural expression, and related regulatory programs; and

f) tax expenditure programs designed to increase private sector funding for cultural purposes and to support certain types of cultural activities.

In the artistic and cultural field, the Task Force recognizes that, with regard to certain types of activities, federal funding is based on the existence of an 'arm's-length' relationship between the government and the agencies responsible for delivering the programs. The study team will examine various interpretations of this principle, take them into account in the conduct of its review, and comment, as appropriate, on the usefulness of this principle from the client's point of view.

Based on appropriately modified list of programs, the Ministerial Task Force on Program Review is seeking advice and conclusions on a profile of government programs which is simpler, more understandable and more accessible to its clientele and where decision-making is decentralized as far as possible to those in direct contact with client groups. Included in the advice could be observations regarding:

- an appropriate accountability framework for cultural agencies;
- areas of duplication between the federal and provincial governments and areas where greater cooperation could be beneficial;
- programs that might be eliminated, reduced in scope, modified or enhanced;
- groups of programs that could be consolidated;
- a summary overview of legislative changes (modifications to existing legislation or new legislation) that would be required to implement program changes recommended;
- the resource implications of any recommended program changes, including costs or savings and the number and location of either increases or decreases in staff; and
- policy implications of recommended program changes.

By means of background information to its conclusions, the study team is requested to examine three sets of questions and concerns regarding beneficiaries, efficiency and overlap and gaps and omissions.

Beneficiaries

- the principal beneficiaries of cultural programs;
- the distribution of benefits between the artists, producers and technical personnel involved in producing cultural products and the audiences and spectators who receive them;

- the distribution of benefits among the various types of cultural activities the different regions of the country the various ethnic, linguistic, racial and socio-economic groups; and between "popular" or "grass-roots" and "elitist" forms of cultural endeavour; and

- beneficiaries of federal programs who are beneficiaries of provincial programs.

Efficiency, Effectiveness and Overlap

- an appreciation of the overall effectiveness of federal funding for cultural purposes;

- approaches used by other countries in the delivery of cultural programs;

- programs with similar objectives and beneficiaries and where:

    the programs are complementary,
    the programs appear to work at cross-purposes,
    the programs involve substantial duplication or overlap;

- programs which might benefit from greater communication and/or coordination among cultural programs;

- programs which might be cost-shared with provinces or the private sector or in which user-pay could be introduced/expanded;

- programs which could be more effectively delivered by the private sector;

- the proportion of funding used on administration compared to direct delivery;

- location and number of regional offices; and

- programs which are troublesome to beneficiaries in terms of red tape, paper work and delays.

Gaps and Omissions

- direct spending or tax expenditure programs which should be but are not included in the list of programs in Annex A; and
- areas where the creation of new programs would meet clearly established requirements.

COMPOSITION OF STUDY TEAM

The Team Leader will be Mr. Sydney Handleman, who served as Minister of Consumer and Commercial Relations and as Minister of Housing in the Government of Ontario, and is taking a temporary leave of absence from Public Affairs International. The Team Leader will report to both the Public Service Advisor and the Private Sector Liaison Advisor serving the Chairman of the Task Force. The Leader will be supported by the Associate Leader, Mr. Alain Desfossés, Senior Advisor, Federal Economic Development Coordinator (Quebec), Department of Regional Industrial Expansion. The Team, or its Leader, will meet with the Public Sector and Private Sector Liaison Advisors at their request.

WORK PROGRAM

Where the Ministerial Task Force on Program Review has made decisions on specific programs already reviewed by other teams, the study team will build on these decisions and the reports.

The Team Leader will maintain liaison with the Task Force on the Canadian Broadcasting System and determine the work program in this area in consultation with the Task Force.

The terms of reference cover a wide range of programs and themes. As work proceeds, the team will focus more particularly on certain programs and themes.

It will be desirable to assign specific tasks to sub-teams dealing with specific subjects. To this end, the study team will submit for consideration by the Ministerial Task Force a detailed work plan showing the sub-teams and the major activities.

The study team will have access to any evaluations and evaluative tools that departments/agencies have with respect to programs covered by this review.

REPORTING SCHEDULE

The study team is requested to report its findings to the Ministerial Task Force by August 30, 1985. In addition, the Task Force will receive brief progress reports on the work of this and other study teams at all regular meetings.

COMMUNICATION WITH DEPARTMENTS/AGENCIES

Ministers and deputy heads of those departments/agencies directly affected by this review will be advised which programs under their jurisdiction will be included.

ANNEX A

LIST OF PROGRAMS

NATURAL AND CULTURAL HERITAGE

DOC	4	MOVEABLE CULTURAL PROPERTY SEC.
DOC	100	INSURANCE FOR TRAVELLING EXHIBIT
DOC	901	EXPORT/IMPORT CULT PROPERTY
EAC	106	ARTS PROMOTION PROG.
EAC	109	HISTORICAL DIV.
EC	26	HISTORIC SITES AND MONUMENTS
EC	36	HERITAGE CANALS
EC	37	HISTORIC PARKS AND SITES
EC	92	AGREEMENTS WITH PROVINCIAL, MUNICIPAL OR NON-PROFIT ORGANIZATIONS FOR HISTORIC SITES
EC	93	AGREEMENTS WITH PROVINCES, TERR. FOR COOPERATIVE HERITAGE AREAS
EC	94	CANADIAN HERITAGE RIVERS
INAC	85	INUIT CULT AND LINGUISTICS
INAC	313	INDIAN AND INUIT CULT, DIV.
NBC	1	NATIONAL BATTLEFIELDS COMM.
NMC	1	NAT. GALLERY OF CANADA
NMC	2	NAT. MUSEUMS OF MAN
NMC	3	NAT. MUSEUM OF NAT. SCIENCES
NMC	4	NAT. MUSEUM OF SCIENCE AND TECH.CANADIAN
NMC	5	CONSERVATION INST.
NMC	6	CDN HERITAGE INFORMATION PROG.
NMC	7	INTERNATIONAL PROGS.
NMC	8	MOBILE EXHIBITS
NMC	9	MUSEUM ASSISTANCE PROG.
NMC	10	PUBLICATIONS
PAC	1	HIST PAGES AND RECORDS
PAC	2	HIST AND GENEOLOGICAL DOCUM.
PAC	3	NAT MAP COLLECTION
PAC	4	NAT. PHOTOGRAPHY COLLECTION
PAC	5	PICTORIAL DOCUMENTATION
PAC	6	FILM, TELEVISION AND SOUND ARCH.
PAC	7	FEDERAL ARCH/UNPUBLISHED
PAC	8	PERSONNEL RECORDS/PUBLIC SERVICE
PAC	9	EDP RECORDS: ARCH SERVICES
PAC	10	TRAVELLING EXHIBITIONS
PAC	11	LAURIER HOUSE
PAC	100	PUBLICATION SERVICES
SS	16	CDN MULTICULTURALISM C1
SS	17	MULTICULTURAL ADMIN.
SS	18	CDN ETHNIC STUDIES PROG.
SS	27	NATIVE SOCIAL AND CULT DEV.
NFB	3	PHOTOGRAPHS/EXHIBITIONS
NLC	100	COLLECTIONS DEV.

NLC	101	CATALOGUING
NLC	102	PUBLIC SERVICES
NLC	103	POLICY, PLANNING AND LIAISON
NLC	104	LIBRARY SYSTEMS

PUBLISHING

DOC	7	BOOK PUBLISHING DEV. PROG.
DOC	101	CONCESSIONARY POSTAL RATE SUBSIDY
SS	21	WRITING AND PUBLICATIONS PROG.
SSHRC		AID TO SCHOLARLY PUBLISHING
SSC		CO-PUBLISHING PROGRAM
EAC		TRADE DEVELOPMENT PROGRAM (BOOKS)

BROADCASTING AND FILM

CBC	11	CDN BROADCASTING CORP
CRTC	1	CRTC - COMMISSION
CRTC	901	CRTC - BROADCASTING
DOC	110	CDA-MANITOBA SUBSIDIARY AGREE
DOC	998	BROADCASTS PROG. DEV. FUND
DOC		BROADCASTING POLICY DEV. & COORDINATION
SS	30	NORTHERN BROAD. ACCESS PROG.
CC		CANADA COUNCIL - FILM PROG.
SSC	102	CDN GOV'T FILM & VIDEO
CFDC	11	CDN FILM DEV. COPR
DOC	3	CDN FILM AND VIDEO CERTIFIE
DOC	109	CITE INT. DU CINEMA ET DE LA T.
NFB	1	FILM AND OTHER AUDIOVIS, MATERIALS
NFB	5	CERTIFICATION
NFB	100	PROD. OF FILM AND OTHER VIS. MATER.
NFB	101	ADMIN. AND EXEC. SUPPORT

PERFORMING AND VISUAL ARTS

CC	10	CANADA Cl - DANCE, THEATRE, MUSIC, TOURING OFF., VISUAL ARTS, ART BANK, ARTS AWARDS
NAC	1	NAT ARTS CENTRE
SS	24	PERF. AND VISUAL ARTS PROG.
EAC	106	ARTS PROMOTION
NCC		ART ACQUISITION
DPW		ART ACQUISITION
IAND		ART ACQUISITION
DEA		ART ACQUISITION
NAT'L GALLERY		ART ACQUISITION
DOC		CULTURAL AFFAIRS PROG.
DOC		INTERNATIONAL CULTURAL PROGRAM
DOC	1	SP. PROG OF CULTURAL INITIATIVES

CITIZENSHIP AND GENERAL CULTURE

SS	5	VOLUNTARY ACTION
SS	19	INTERCULT COMMUNICATIONS PROG.
SS	20	CULTURAL INTEGRATION PROG.
SS	22	CULTURAL ENRICHMENT PROG.
SS	23	GROUP DEVEL. PROG.
SS	33	WOMEN'S PARTICIPATION
SS		CANADIAN STUDIES
SS	16	CDN MULTICULTURALISM C1
SS	17	MULTICULTURAL ADMIN.
SS	18	CDN ETHNIC STUDIES PROG.
SS	27	NATIVE SOCIAL AND CULT DEV.
CHRC		CDN HUMAN RIGHTS COMMISSION

TAX EXPENDITURES

FIN TEC	16	CHARITABLE DONATIONS
FIN TEC	17	EXEMPTION OF INCOME OF FOUNDATIONS
FIN TEP	8	CHARITABLE DEDUCTIONS
FIN TEP	23	EXEMPTION OF LOTTERIES
FIN TES	15	BOOKS
FIN TES	16	NEWSPAPERS AND MAGS
FIN TES	18	CRAFTSMEN, SCULPTORS AND ARTISTS

OTHERS

DND	13	MILITARY BANDS, EXHIBITS AND DISPLAYS
DND	15	CHANGING OF THE GUARD
RCMP	8	PUBS, DISPLAYS, MUSICAL RIDE
SS	47	INTERNATIONAL YOUTH FAIR
SS		CANADA DAY
SS	3	STATE PROTOCOL
DOC	5	CULTURAL STATS PROG.

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INTRODUCTION

The issue addressed by the report is whether the policy and organizational framework for the delivery of the cultural programs of the federal government is appropriate, and whether the impact and the beneficiaries of the programs are compatible with the cultural objectives of the government.

The study team has chosen a number of ways to present the findings of its review into one of the more complex areas of public policy programming. This introduction describes the six general themes that developed as the study team's analysis progressed. The program assessments have been organized by sub-sector (e.g., visual arts and heritage) with an overview for each.

The first theme focusses on areas that would increase emphasis on technical and financial support to individual members in the artistic and cultural community. These include the maintenance of the current tax regime for artists, craftsmen, institutions, donors and investors, and the enhancement of programs to support individual artists, writers, and performers.

The second theme involves the withdrawal of much of the subsidy to consumers of cultural activities. These include the removal of the exemption from the federal sales tax of many cultural products, particularly in the publishing area, the gradual removal of the postal subsidies, and proposals related to improved revenue generation in many of the major cultural institutions.

The third theme covers a wide range of means to eliminate duplication or apparent anomalies in programs such as those pertaining to support of film and video, the book publishing industry and the art acquisition program. The study team believes that, taken together, these proposals would produce a better balance of programs within the film and video and publishing sectors for significantly less funds and would make an important contribution to the efficient delivery of the government's cultural programs.

A fourth theme that emerged from the team's deliberations was the need to more actively promote public awareness and participation in cultural activities and events in Canada, and to promote Canadian cultural activities abroad. The issues reflecting this priority relate to the responsibility for touring companies, to gallery and museum exhibitions, and to the orientation of a number of agencies such as the Canada Council and the CBC.

A fifth theme was the lack of regional balance in the incidence of cultural programs in Canada. This observation underlies the need to review the policies or mandates of agencies such as the Canada Council, National Museums of Canada, Public Archives, National Library and the CBC.

The sixth theme covers steps the government could take to improve its relationship with those cultural agencies which are the principal delivery instruments for the government's cultural policies. The team believes that the government should rejuvenate and make better use of the cultural agencies to assist it to formulate draft government policies and to implement programs for the support of cultural activities in Canada. These agencies include the Canada Council, National Museums of Canada, CBC, National Film Board, and Telefilm Canada (Canadian Film Development Corporation). This would imply a rationalization, and transfer of activities now under the direct control of several departments, particularly the Department of Communications.

RATIONALE

The study team believes that cultural programs should focus on assisting, directly or through organizational intermediaries, individual members of the cultural community, for two reasons. First, creativity, new ideas, innovation and quality are primarily products of individual endeavour. If a central objective of cultural policy is to support the leading edge of artistic and cultural development, then it is necessary that as much support as possible gets through to the individuals at that leading edge. Second, although the team has concluded that the economic rationale for cultural programs is not strong, the one major benefit identified was a positive impact on direct employment. These factors suggest that programs should focus on the individual, and on those institutions that channel support efficiently to a large number of individuals in the cultural community.

A very significant share of government support to culture is directed at lowering the cost of cultural products and services to consumers. The study team was uncomfortable with this emphasis for two reasons. The cultural products and activities supported tend to be those used by middle and upper income levels in Canada. As the majority of programs do not support mass cultural events or amateur groups, the consumer subsidy has a regressive income effect built into it. Second, the team's assessment of the nature of demand for cultural products and activities suggests that, within a reasonable range, the demand for them is not highly sensitive to price. Thus, the subsidy is not likely to have a major impact on the demand for the products or activities involved. While this point is particularly true of the publishing area where most of the consumer subsidies are applied, it is also the premise of the study team's views on revenue generation in other cultural sectors.

The study team's assessment of duplication and overlap attempt to balance two contradictory objectives. On one hand, the study team attempted to identify blatant examples of duplication, particularly within the federal government system. In areas where the objectives, administrative criteria, or the target groups appeared to be identical, the result was considerable confusion among the client groups about whom to approach. On the other hand, multiple-source financial assistance was seen as an advantage by many groups. The study team accepted the premise that multiple-source financing had a special importance in a field where taste and opinion are factors in the allocation of funds. Therefore, the study team did not propose to eliminate duplication between programs of different levels of government, or between federal programs that might provide funding to the same group but for quite distinct purposes, such as cultural, employment or tourist objectives.

The study team identified a requirement for better promotion of cultural activities. First, the nature of cultural products and activities is such that promotion makes good sense. Second, and more fundamentally, the study team believes that cultural activities growing out of the Canadian heritage and experience will strengthen the sense of community in Canada. It is important that all Canadians be aware of their cultural heritage and be encouraged to participate in cultural activities.

The study team believes that the cultural policies and programs of the federal government, in both their design and implementation, must reflect the regional diversity of the country. Cultural programs in particular must respond to the basic characteristics of Canada, or they will lose their legitimacy. A conscious effort must be made to ensure that cultural programs touch all major segments of Canadian society.

The appropriate nature of the relationship between the government, primarily represented by the Minister of Communications, and the cultural agencies was the most difficult issue addressed by the study team. These organizations perform a critical role as the main interlocutor between the government and the highly professional, specialized, articulate and vocal groups in the cultural community. The study team doubts that the services could be delivered by a government department with the same sensitivity and efficiency. The team wishes to emphasize that these agencies are instruments of public policy. While they have the right to participate in the development of public policies, they have an obligation to reflect and implement government policies and priorities in the cultural field. They may operate at "arm's-length" but they are not "hands-off". The study team has developed a framework for responsibility which it believes can achieve a balanced relationship between the government and the agencies, but successful implementation will require adjustments and goodwill by all parties concerned.

OVERVIEW

The Terms of Reference for the study team required it to review more than 100 programs, involving about $2,250 million in expenditures in 1985/86. The person-years covered include some 5,200 controlled by Treasury Board and 12,325 beyond its control (virtually all in the CBC, National Arts Centre, Canada Council and Telefilm). About $750 million in tax expenditures are included, but the person-years for the administration of tax expenditures are not included. Over the decade from 1975/76 to 1984/85, as evidenced in the following table on "Estimated Government Budgetary Expenditures" the federal government budgetary expenditures on cultural programs grew at a slightly faster rate than overall government expenditures.

Estimated Government Budgetary Expenditures on Cultural Activities 1975/76 and 1984/85

($ million)

	75/76	**84/85**	**Increase (%)**
Department of Communications*	559	1,567	180
National Revenue Postal Subsidy	-	170	N/A
Secretary of State			
Citizenship	48	180	222
Culture			
Arts	8		
TOTAL	615	1,917	211
All Government Budgetary Expenditures	35,300	99,975	183

* The 1975/76 figure for Department of Communication includes estimates which were in the Secretary of State at that time, but were transferred to DOC.

The study was organized around six main sectors: natural and cultural heritage; performing and visual arts; broadcasting and communications including film; citizenship and culture; writing and publishing; and tax expenditures; plus a miscellaneous category. The more than 100 programs have been consolidated into 56 assessments.

The study team took note of other government initiatives to assess cultural activities. The Minister of Communications has initiated consultation with the provincial governments to discuss new orientations in cultural policy and to improve cooperation and coordination between the two levels of government in the provision of support to culture and the arts. The initiatives also include the Caplan-Sauvageau Task Force on Broadcasting, the Bovey Commission on Funding for the Arts, and a Department of Communications review on the Economics of the Arts and a publishing strategy. The study team has not tried to prejudge the conclusions of these initiatives, but it does assume that its observations will be made available to these other groups.

Environment and Culture: The study team has identified a number of important factors in the Canadian environment as a background against which the assessments of particular cultural programs and sectors should be made. These factors include the multicultural and bilingual nature of Canadian society, the influence of the United States, the contribution of cultural activities to the formation of national character, the division of responsibilities for culture between federal and provincial governments, the changes in the cultural climate over the past 30 years and the impact of slow economic growth. These factors provide both the constraints and the imperatives that determine the role, size, structure and delivery system of federal cultural programs.

The Economics of the Cultural Industries: The study team's review of literature on the economics of the cultural industries suggests that these industries have a high impact on employment, but only a modest impact on income, tax revenue, productivity and the balance of payments. Although the economic benefits may exist, they are unlikely to be as high as for other economic investments. The justification for cultural expenditures by governments must be the intrinsic value of the arts, their contribution to the definition of national character, and their contribution to the quality of life.

The team's review in the section on the economics of cultural activities shows that the nature of cultural activities and products provides a good potential for promotion and marketing. The study team's review also argues that most consumers of cultural products and activities will not be unduly sensitive to price increases over time, so that there is considerable scope for revenue generation. These two conclusions are basic premises for much of the analyses and proposals in the report.

Consultation: In carrying out its mandate, the study team engaged in extensive consultations throughout Canada, involving more than 60 provincial, territorial and municipal government officials as well as more than 225 representatives of cultural organizations and the private sector and individual beneficiaries (See Record of Consultation).

ASSESSMENTS

Natural and Cultural Heritage

This sector covers the major national cultural institutions, as well as departmental programs, and involves more than $170 million and 3,300 person-years. The major institutions are National Museums of Canada (encompassing the National Gallery of Canada, the National Museum of Man, the National Museum of Natural Sciences, the National Museum of Science and Technology and extensive programs of assistance to museum and art galleries across Canada), the Public Archives and the National Library. The departmental programs reviewed include Historic Parks and Sites and the National Battlefields Commission of Environment Canada.

There are three issues common to the institutions in this sector, namely: collections policy, levels of service and revenue generation. There is also a series of issues that relate to each institution individually.

Collections policies: The study team has concluded that all federal heritage institutions need to focus more on the management of their collections and less on acquisition. Most institutions have reached a stage of maturity where collections are sizeable and the burden of maintaining, conserving, storing and displaying them is becoming significant. Clear policies and priorities should be established about what is to be acquired and retained, declined or disposed of in accordance with the mandates of each institution. A judicious management of collections, addressing disposition as well as acquisition, would lead to more focussed and manageable collections. Disposition and loans could also enrich the collections of local and regional institutions with materials of specific interest to them.

Level of service: The study team has concluded that heritage institutions provide services at an excessively high level given the resources available. Objective measurement of levels of service should be established and reviewed periodically in the light of the resources required to provide them.

Revenue generation: The study team has concluded that heritage institutions should implement a variety of revenue generation techniques, including admission fees, fundraising campaigns and sponsorship. Flexibility should be used in the design of fee structures so that attendance is not discouraged.

The National Museums of Canada (NMC): The study team is of the view that the general model of a complex of museums managed by one board that is responsible for institutions and program delivery continues to have merit. With regard to the general performance of the NMC since its inception, the study team has not found deficiencies of such a nature that would call into question its existence as a corporate structure. Possible structural changes have been examined but, on balance, the study team has concluded that major structural change is not necessary at this time. It does recognize, however, that the missions of the four National Museums and of the national programs should be reviewed, given the growth and development of the museum community over the last 15 years, and that this review may have implications for the structure and operations of the National Museums Corporation.

In its early years, the corporation suffered from weak lines of decision-making authority. In the view of the study team, this weakness was exacerbated by the reluctance of senior management and the Board of Trustees to fully exercise the appropriate leadership and authority. Changes were made in the senior reporting relationships in 1983, but additional improvements are necessary. Changes should be made to clarify the status of the chief executive officer, both in relation to the directors of the four constituent museums and in relation to the Board of Trustees.

The four component museums each have independent and established traditions and histories. They have focussed primarily on building their collections and preserving them. For most of their history, they were the only significant museums of their type in Canada, with the exception of the Royal Ontario Museum. They therefore, viewed themselves in a national role. In the past 15 years, the rapid growth of excellent regional and local museums has significantly altered the position of the four national museums in the Canadian museum environment. Fundamental questions now can be raised about whether they are still national or regional museums, about their responsibility for research, and about areas where they should have national leadership. The study team sees a need to review the mission of the four National Museums to define the specific objective of each museum in relation to the resources available to it, to identify the appropriate balance between research and public programming and to identify areas in which it would be appropriate to strive for national leadership.

The board of the corporation would then be in a position to identify the essential core of each collection and approve collection management policies. Artifacts and works of art not essential to the national collections could be used to enrich the collections of regional or local museums.

The study team also believes that there is a need to review the national programs, to refocus those programs and to take full account of the growing provincial and local involvement in the sector. The study team proposes the termination of one national program and alternatives are suggested for one other.

The study team believes the new buildings of the National Gallery and the Museum of Man should be opened in a phased manner over 10 years, and that existing resources should be used as much as possible to finance the high quality public programming that the new buildings deserve. An aggressive marketing strategy appropriate for each museum should be developed and coordinated at both the regional and national levels.

The Public Archives: The study team has no major reservations about the mandate and the general operations of the Public Archives. Provisions of the new Public Archives Act should not encourage outreach activities. A comprehensive acquisition policy should be developed and coordinated with other archival institutions. A comprehensive conservation policy needs to be developed. The Archives and the National Library should rationalize certain collections in line with their mandates.

The National Library: The National Library should focus on its role as a librarian's library and depository for Canadian published material. The Library should review its special collections to identify those important to its central mandate; those collections not required for this purpose should be deposited with other appropriate Canadian libraries or institutions. The team approves the leadership which the Library has provided in the implementation of modern library technology, but it proposes that the client groups of the Library assume some financial responsibility for the development and operating costs of the systems.

Parks Canada: The study team supports the findings of the study teams on Real Property and the Environment. The study team is concerned about the duplication of facilities and expertise between Parks Canada and the National Museums of Canada in the area of conservation and inventory control. The conservation laboratories and research facilities of the two institutions should be combined and administered by the National Museums of Canada, and the computerized inventory control system of the NMC should be used by Parks Canada.

Other: The study team proposes that the National Battlefields Commission be administered by Parks Canada. The team believes that two important corporate museums, the Postal Museum (Canada Post) and the Currency Museum (Bank of Canada) would be more appropriate as components of the National Museum of Man.

Performing and Visual Arts

Performing Arts

This sector covers the performing arts (dance, music, theatre) and touring. It includes the program activities of the National Arts Centre, the Canada Council (except those relating to film, publishing, and the visual arts discussed elsewhere), the Public Activities Program of the National Capital Commission and a wide range of programs within the Department of Communications (DOC) Cultural Affairs Program, the Secretary of State Performing and Visual Arts Program and the Cultural Policy and Arts Promotion divisions of External Affairs.

The most salient feature of federal government involvement in the performing arts sector is its relatively low regional presence. Although some attempt is made to respond to regional needs through touring arrangements, the overwhelming proportion of DOC and Canada Council funds for this sector goes to Quebec, Ontario and a few large urban centres elsewhere. This pattern is a function of a number of factors. The sector is dominated by a small number of large performing companies needing large and specialized physical facilities in which to perform. The performers at the professional level tend to concentrate in large cities, so that the criteria of 'excellence' for providing grant support directs the funds to large cities. The characteristics of the artistic medium all conspire to concentrate the activities in a few large cities and in a few companies.

This picture of the sector leads the team to its main conclusions. Even though the basic characteristics of the sector cannot be escaped, the team believes that there is still scope for increased promotion and marketing of Canadian performing arts, both in Canada and abroad. Although it is expensive, touring within Canada should be supported where possible, and support for smaller regional-based companies should be increased. Both of these initiatives would improve the awareness of and demand for cultural activities. They would also help maintain the legitimacy of the cultural programs with a broader spectrum of the Canadian public.

The role of the Touring Office is critical. The team has some concern about its location in the Canada Council where a promotion and marketing tradition is not strong and the office does not receive the priority it should. But the team is reluctant to suggest moving it to another responsibility centre for a number of reasons. First, it does not wish to establish yet another independent organization, and it is not clear where the organization should be located. Secondly, it should be attached to an organization that has responsibility for cultural standards and development in the country. Third, the team believes that the Canada Council itself should be reoriented more to a market development and arts promotion role, and the Touring Office would be an important vehicle for this reorientation.

It is the team's view that the promotion and marketing of Canadian performing and visual arts companies abroad is weak, and not integrated with domestic touring plans. In line with the domestic promotion of performing arts, the

Canada Council Touring Office should be given responsibility for foreign tours, and the cultural centres and the Arts Promotion Division of External Affairs be disbanded.

The provision of core funding to performing arts companies and to service organizations in the sector is both an instrument for and a reflection of concentration in the sector. Operational or 'core' block funding to performing arts companies absorbs a large proportion of public funding. In addition to reducing the amount of funds available for more innovative projects, operational block grants raise a number of quite distinct issues. In particular, the question of the division of responsibility between levels of government for general support to companies and long-term commitment to that support become important. The team suggests that a policy framework for the provision of operational funding should be developed in consultation with the federal cultural agencies. This framework could be the basis for developing federal/provincial planning agreements which could be used to coordinate the provision of funding with provincial and municipal governments.

Service organizations (i.e., national representative organizations of performing arts groups) receive funding from the Canada Council, the Department of Communications and the Secretary of State. Organizations receiving such funding tend to lose touch with and dependency on their own members. It is the team's view that the long-term strength and relevance of these organizations would be improved if they were funded by their own constituencies and the federal government cease funding.

In principle, the study team did not find multiple source funding for cultural activities to be a problem as long as it came from programs with distinct objectives such as tourism, employment, cultural development, or from other levels of government. Although it makes the system more complex, multiple-source funding does provide a sense of financial security to client arts groups. However, the team believes that the federal government should ensure that within its own range of cultural programs, there should be little duplication of objectives and administration. In this context, some rationalization of the programs of the Canada Council, the Department of Communications and the Secretary of State is desirable.

Capital funding for facilities which performing arts companies can use raises issues common with large capital expenditures in other cultural sectors. In particular, the impact on operating costs is important. This issue is addressed at more length in the next section of the report.

The National Arts Centre: The NAC was established as a showpiece for the Canadian performing arts. Both the Centre itself and the resident performing arts companies were to become national symbols. These expectations have not been met. Although the National Arts Centre Orchestra appears to have achieved recognized standards, the French and English productions department of the theatre did not meet the standards of the artistic community in spite of significant funding and the department has since been closed. Furthermore, few Canadians have seen the resident companies on tour. As a result, there is a perception in the country that the NAC and its activities are supported by Canadian taxpayers for the benefit of the residents of the Ottawa/Hull region.

The physical facilities of the Centre could be of national significance, especially if used to accommodate other touring Canadian companies. But the administration of the facilities has been indifferent. The Centre has high administrative costs (36 per cent in 1984/85) and high repairs. Catering operations have frequently suffered losses.

The study team, therefore, believes that the existing structure of the NAC should be changed to separate the orchestra from the Centre and establish an independent organization in the same manner as other performing arts companies. The responsibility for the physical facilities should be transferred to the National Capital Commission (NCC), which should then use the private sector to help manage the Centre and its facilities.

The National Capital Commission: The Public Activities Program of the NCC supports cultural and performing arts activities that have a significant impact on the economy of the National Capital Region. The NCC should approach other levels of government for financial assistance for activities which bring economic and cultural benefits to the residents of the National Capital Region.

The Canada Council: The purview of the Canada Council in the cultural field goes far beyond the performing arts. Nevertheless, the performing arts absorb 57 per cent of the council's budget, and the issues pertaining to the overall operation of the council arise in large measure from the dominance of performing arts in its operation. It is thus appropriate to assess the council's operations in this sector. However, because of the importance of the Canada Council in the Canadian cultural community, the study team spent considerable time studying its overall operation and prepared a specific program assessment.

The Canada Council has been an important and dynamic instrument for the promotion of the performing and visual arts in Canada. As it has matured, the council appears to have lost its focus on new and innovative forms of performing arts. Much of its budget is allocated to operating funds for a few large companies. In addition, its administrative process has become slow, cumbersome and costly. The study team believes that the jury system of the Canada Council should be revamped to better reflect the needs of constituents other than the current establishment of the arts community. The team believes a concerted effort must be made by the government and the management of the council to reverse these trends.

Because the Canada Council is a central pillar in the institutional structure of Canadian culture, and is seen to be so by the Canadian cultural community, the study team is convinced that the council should remain the principal chosen instrument of the government for the support of the arts in Canada. The study team is equally convinced, however, that both the council and the cultural community would benefit from a major review of its orientation, administration and policies. The program assessment examines a number of important issues, including the balance between operational and project funding, the jury system, a consultative process and the rationalization of its grant programs. The important 'arm's-length' issue is discussed in a separate section in this report.

The role of the council in the promotion and marketing of the arts in Canada was given intense consideration by the study team. The emphasis which the team has placed on promotion and marketing arises from a view that the council has succeeded in establishing a solid core of high quality arts activities in Canada during the first three decades of its existence. The challenge now is to extend the influence and enjoyment of this base to as many Canadians as possible. In addition, this cultural base should be used in a deliberate way to extend and enrich the image of Canada abroad. The team believes that the Canada Council is in a position to carry out the role, but it will require a deliberate reorientation of the council by the government, the Council itself, and the executive officers.

Contemporary Art Acquisition and the Visual Arts

A very visible aspect of the federal government's support for the visual arts comes through its direct acquisition of contemporary Canadian art. Its annual budget totals approximately $1.3 million, excluding the acquisitions of the National Museums of Canada. Seven federal departments and agencies have programs to acquire contemporary Canadian art.

The study team believes that the diffused treatment of acquisition, collection maintenance and exhibition is inefficient and ineffective. One agency, using an appropriate advisory board, could more effectively coordinate the purchase of contemporary Canadian art in a way that would complement and reinforce other programs for the support of Canadian art. The study team realizes that this will require the transfer of resources and responsibilities from several departments and agencies. Nevertheless, in line with the team's proposed orientation of the Canada Council, the Council's Art Bank should undertake this central function on behalf of all federal departments and agencies on the condition that the client department be part of the selection process to ensure that the purchases reflect their needs. In designating the Canada Council's Art Bank as the coordinating agency, the study team believes that its present acquisition budget and personnel should be sufficient to satisfy all existing needs.

The study team also believes that the substantial investment of the federal government in contemporary art would be more efficiently maintained if it were the responsibility of the professionals in one or two agencies. The study team, therefore, proposes that the collections in External Affairs, Indian and Northern Affairs, and the National Capital Commission be transfered to the National Museums of Canada and to the Art Bank as appropriate.

The government also supports the visual arts through other programs: the Canada Council's Visual Arts Program ($5.5 million), the Department of Communications' Program of Cultural Initiatives ($16 million) and the National Museums of Canada's Museum Assistance Programs ($6 million). The Canada Council and the National Museums of Canada contribute to the direct costs of exhibition. The Department of Communications provides financial support and assistance for building construction, repairs upkeep and purchasing equipment. This division of responsibilities has created considerable confusion on the part of client groups.

There are a number of issues addressed in this report on the performing and visual arts which are common to a number of cultural sectors. In addition to the arm's-length issue, these include the way in which major capital expenditures are managed, and the way in which more orderly planning and coordination might be achieved between institutions.

Broadcasting, Film and Video

Broadcasting: This segment contains three programs. The Canadian Broadcasting Corporation (CBC) involves about $1 billion in expenditures, or about 40 per cent of federal funds allocated to culture. The broadcasting activities of the Canadian Radio-Television Commission ($19 million) and the Northern Native Broadcast Access Program of the Secretary of State ($8 million) account for the remaining broadcast funds. A major review of broadcasting is being undertaken by the Caplan-Sauvageau Task Force, and the CRTC has been studied by the regulatory reform study team. Therefore, the study team has confined itself to a brief assessment of the position of CBC in the current period of rapid change and fiscal restraint.

The Canadian Broadcasting Corporation: For some time, the CBC has been operating in an environment of increasingly rapid and profound technological change. New transmission technology has increased the number of competitors and fragmented audiences. Market share, now about 20 to 22 per cent for English television and 44 per cent for French television will be under increasing pressure. Sharp market segmentation and related programming focus by competitors make it difficult and costly to maintain a general service appropriate for all elements and tastes of the population.

As a result, many observers, including the Applebaum-Hébert Committee (1982) have made recommendations that would focus the operations and programming of the CBC into areas where it appears to have special capacities and responsibilities. This focus would involve the CBC becoming a national and regional network, and withdrawing from local programming and affiliate agreements. Production would be limited to news and public affairs, while other programming would be obtained from independent producers. More Canadian drama and variety programming would be commissioned and produced in the regions. More cooperative programming would be encouraged between the CBC French and English networks. Finally, only programming not otherwise available to Canadians would be imported.

The study team supports these recommendations, but did not fully support the Applebaum-Hébert recommendation that the CBC withdraw from advertising. The team believes that in times of fiscal restraint, the CBC should be encouraged to obtain supplementary resources whenever possible. This view was reinforced by many comments received during the study team's consultations. At the same time, the team recognizes, and wishes to emphasize, that this could significantly reduce the income of the CBC. The loss of market represented by withdrawal from local programming, combined with the loss from giving up popular imported programs could leave its earning power sharply curtailed. Such limit in focus and mandate of the CBC is not likely to reduce its net demand on the public purse.

The study team has reviewed the actions taken by the CBC management to respond to the budget cuts of November 1984. These cuts involved $75 million from operating funds and $10 million from capital. The response by the CBC seems to be appropriate. The main cuts were in management and administrative overhead, and in local programming. The study team believes the CBC management should continue to seek more savings in these areas.

The study team believes care should be taken about imposing further significant cuts on the CBC operating budget at this time. As noted, it is not clear how a revised mandate might affect the need for funds. It will be important to move quickly on the report of the Caplan-Savageau Task Force. The CBC will need to have its mandate, governing system and budgeting requirements established as soon as possible if it is to play an effective role in the support of Canadian culture. In the interim the study team believes that a moratorium should be placed on major capital expenditures, including the production facility in Toronto, until the capital program required by a new mandate has been approved by the government.

Film and Video: Most federal government support to the film and video sector is channelled through Telefilm Canada (formerly and still legally the Canadian Film Development Corporation), the provisions of the capital cost allowance (CCA) and the National Film Board (NFB). There is also a small program in the Canada Council, and incidental support is provided by a Supply and Services program to produce films required by government departments and agencies. The study team has produced assessments of all these programs. Of the three major programs, the capital cost allowance provisions are reviewed under the section of the report dealing with Tax Expenditures and Indirect Subsidies for Arts and Cultural Activities.

The government has not enunciated a comprehensive policy in the film and video sector, but it has endorsed some elements of the National Film and Video Policy announced in May 1984. The key thrusts in that policy were the development of the private sector film and video industry, and a more focussed and modest production role for the NFB. The current government has endorsed the private sector thrust, but has not enunciated its policy vis-a-vis the NFB.

Telefilm: Although the Telefilm organization has been in existence for a number of years, it experienced a major increase in resources in 1983 with the establishment of the Broadcast Program Development Fund (BPDF), which is administered by Telefilm under a Memorandum of Understanding (MOU) with the Minister of Communications. Telefilm resources were $49 million in 1984/85, and are expected to reach $85 million in 1985/86, of which $71 million are accounted for by the BPDF. Telefilm's increased resources have been largely responsible for a major increase in film activity in Canada since 1982. Two years of operation do not provide an adequate data base to judge the performance of the Fund and Telefilm, but the early signs are encouraging. Both the quantity and the quality of film and videos for broadcast appear to have improved, and critical comment and ratings have been generally favourable.

Telefilm is generally perceived by the industry representatives consulted by the study team as being competently administered and knowledgeable about the industry. The study team shares these views. Its concerns about Telefilm relate primarily to the recent decision under the MOU to permit Telefilm to increase its maximum investment in film and video production from one-third to 49 per cent and to Telefilm's relationship to the government which, for the Broadcasting Fund, involves closer monitoring by the Department of Communications than for other Telefilm programs.

Industry representatives consulted by the study team suggested that the 49 per cent is too high and will discourage broader private sector participation if it is maintained. The study team believes the standard maximum should be returned to one-third. Exceptions allowing for the 49 per cent level should be authorized only for very special conditions or specific purposes (e.g., documentaries, children's programming or regional productions. Even in these cases, commercial considerations should play a major role in funding decisions.

The study team believes that, because of Telefilm's recognized competence and knowledge of the industry, the corporation itself is in the best position to determine detailed funding criteria within general guidelines such as those suggested above. The study team believes that this flexibility should be provided to Telefilm via amendments to the Canadian Film Development Corporation (CFDC) Act which would remove the need for a separate Memorandum of Understanding for the Broadcast Fund. Telefilm would then be able to operate on an 'arm's-length' basis consistent with the original intent of the CFDC legislation.

The National Film Board: The NFB received an allocation of $62 million in 1985/86. For the last three years, the NFB's budgetary allocation has been maintained at approximately the same level while funding for Telefilm has grown rapidly. Most of the NFB budget is dedicated to the production of films.

The study team believes that, in view of the increasing capacity of the private sector to produce a wide variety of film and video, the size of the NFB production budget should be reconsidered. There is general agreement in the industry that the NFB continues to have a unique role, but it is in the production of 'socially and culturally' relevant films, in experimental areas of film and video production, and in the provision of specialized training for talented and experienced personnel. Therefore, the budget of the NFB should be downsized and oriented toward this role.

Evaluation: The team is prevented from reaching a firm conclusion on the long-term optimal nature and mix of federal programs in the film and video sector for a number of crucial reasons: the industry has been expanding only since 1982 and, given past weaknesses, it is too early to determine whether this growth will continue and, if it will, for how long; solutions to the problem of theatrical distribution remain doubtful and their timing uncertain; and the NFB has undergone significant changes in recent years, and its role is in transition. In this context, a comprehensive evaluation of all programs in the film area should take place in 1987/88. This evaluation would focus primarily on the following issues:

- the continued existence and role of the NFB;
- the contribution of Telefilm to the strengthening of the Canadian film and video industry and its achievement of its cultural objectives;
- progress achieved in solving the distribution and exhibition problems for Canadian theatrical films;
- the appropriate balance between federal support for broadcast and theatrical production; and
- the importance of private sector investment and the role of the Capital Cost Allowance.

Cité du Cinéma: The study team has serious doubts about the Cité du Cinéma. The team has been impressed by arguments from the private sector that such facilities may become technologically obsolete very quickly. In any case, the study team concludes that, once the results of the implementation study are available, any proposal related to the Cité du Cinéma should be reviewed.

Writing and Publishing

This sector includes programs designed to promote the writing, publication and reading of Canadian books, magazines and periodicals, and involves an estimated annual expenditure of $25 million. The sector is also the primary beneficiary of the postal subsidy ($225 million per annum) and of the Federal Sales Tax Exemption ($300 million in 1984/85). (See section on Tax Expenditures and Indirect Subsidies.)

The study team is aware that the Department of Communications is developing a comprehensive strategy for the publishing industry. It is also aware of the policy recently announced to govern foreign investment in the book publishing and distribution sector. The study team has proceeded with its own assessment and conclusions under the assumption that its views will be assimilated into the DOC review.

The study team's analysis of the publishing sector is divided according to three categories of support: assistance to the book publishing industry, to the periodical industry, and to writers.

Book Publishing: To understand the book publishing industry in Canada it is necessary to examine three major issues: ownership of the companies; the kinds of publishing in which they are engaged; and their location. It is also necessary to understand the problems that face the industry, particularly the Canadian-owned sector. A detailed analysis of the industry and its problems is presented in the overview on publishing. In brief, the current situation in Canada is that subsidiaries of American and British companies dominate the English language market, especially in the profitable educational sector. Canadian-owned publishers are more numerous but, with a few notable exceptions, they tend to be small, with a small market share, and are concentrated in the riskier, but generally less profitable, trade, literary and scholarly publishing fields. Because of a lack of capitalization, they have difficulty in breaking out of this pattern and entering some of the more lucrative but capital-intensive areas of publishing. Large- and medium-sized English publishing is generally centred in Toronto with some small Canadian-owned publishers located in smaller cities across the country. French language publishing is centred in Montreal, with smaller publishers in smaller cities.

The federal government has two main programs for the support of book publishers: the Book Publishing Development Program (BPDP) of the Department of Communications ($8.3 million) and the Writing and Publication Program of the Canada Council ($4.6 million). They are based on the assumption that Canadian-owned publishers are necessary to publish culturally significant Canadian titles. The BPDP program provides operating subsidies to Canadian-owned publishers as well as project grants to help them improve their management and marketing systems on the way to becoming commercially viable. However, the formula for the operating subsidies is heavily weighted by the volume of sales of Canadian authors' titles so that there is a strong incentive to put out Canadian-authored titles, even if there is no profit margin on them. The subsidy thus has the perverse effect of encouraging the growth of non-viable publication lists.

The program of the Canada Council also provides direct grants to Canadian-owned publishers to assist with the costs of publishing culturally-significant titles. There is no expectation of profitability. Thus, the programs of the Canada Council and DOC reinforce each other to create a non-viable industry.

The study team believes that the existing mix of Canada Council and DOC programs will never result in a commercially viable Canadian-owned publishing industry. Means to restructure federal support to the industry by severing cultural from industrial assistance objectives are outlined later in the report.

The study team supports the initiatives of the Minister of Communications to pursuade the provincial governments to use their control of textbooks used in elementary and high schools to support Canadian-owned publishers and printers whenever possible.

A new industry-oriented federal program as proposed by the study team could result in fewer but more profitable publishers. The adjustment process for this industry would likely be similar to that experienced by other sectors such as pulp and paper, petroleum distribution or electronics. However, the firms are small and relatively few in number. The total employment involved would be small. Much of the adjustment could occur in regional and local centres, and it may be in the interest of the provincial governments to maintain certain of these publishing enterprises.

A number of other direct and indirect programs supporting the publishing sector were reviewed by the study team. In total, these programs amount to less than $5 million per annum.

Periodical Publishing: The periodical industry also covers a wide range of publishers and magazines from large companies with many publications to small publishers of special interest periodicals. Problems with market size, foreign competition, a fractured market and variable profitability are common with book publishing.

Direct federal support to the industry is for specialized non-commercial periodicals. It is provided through the Canada Council ($1.9 million in 1983/84), the Social Sciences and Humanities Research Council ($2 million in 1985/86) and the Natural Sciences and Engineering Research Council ($0.5 million in 1983/84). The major support to the industry is provided indirectly through the postal subsidy and the exemption from the federal sales tax.

Writers: There are three programs to aid writers -- two in the Canada Council and one in the Multiculturalism Branch of the Secretary of State. The study team believes that these programs are at the centre of creativity in the publishing sector. While it is extremely difficult to identify success, the study team believes that this is an area where the commitment of public funds should accept a high degree of risk. As long as the programs can be administered within some reasonable criteria, the study team believes these programs might be supported further.

A major request by writers is a program of payment for public use of their work. The study team has considered this issue and believes that a system could be developed, using modern computer technology, that could simplify the administration and avoid exploitation of the program. At least eight countries, including the U.K. and Australia, have payment for public use programs utilizing various systems. Basic questions still remain about the size of payment and which level of government should be responsible. The study team understands this issue will be the subject of federal/provincial discussions in September.

Conclusion: The study team believes it should be possible to develop a commercially viable Canadian-owned publishing industry without need for permanent public support in any form. However, programs to bring about this change in viability must be directed at the problems of the industry as an industry; cultural objectives must be kept quite distinct and should concentrate primarily on direct support to authors and promotion of Canadian literature.

Citizenship and General Culture

This field consists of a heterogeneous collection of programs under the Secretary of State. It includes two granting programs in the Citizenship Directorate, five in the Multiculturalism Branch plus the Multiculturalism Advisory Council and Multiculturalism Administration. The estimated budget of these program in 1985/86 is $42.6 million.

These programs have a diverse set of objectives but there are some common characteristics. They tend to have recipient groups that become dependent upon the grants for their existence. Many of the programs are ostensibly designed to help their recipients adjust to something, either a new cultural environment, or new public attitudes and employment practices. Frequently, however, the programs become focussed on more limited interests and lose touch with their broader clientele. Finally, these programs do not generally correct the fundamental problems for which they were put in place and even act as a deterrent to more fundamental improvements. In this sense, the programs become counter productive.

Volunteerism: Although there is a sense in which government support for volunteer activities is a contradiction in terms, this support is now deeply embedded in the government. Fourteen government departments and agencies have a total of 55 programs supporting voluntary organizations. The philosophy of assisting volunteer groups to increase participation in Canadian society permeates the citizenship and general cultural programs. As commendable as the motivation for these programs may be, the study team is concerned that the programs are operating in a way that encourages groups to believe they have a right to funding, or to become overly dependent on funding. Such a development has a potential to alienate the voluntary organizations from their own constituencies. The team also notes that most of the grants under these programs are approved by the responsible ministers, making the programs vulnerable to possible political pressures. The study team believes prudence would suggest that more rigorous criteria be established for the provisions of grants under these programs.

Volunteer organizations tend to operate in fields of provincial jurisdiction such as health, social services, community services or the administration of justice. Provincial governments and municipalities are recognizing the importance of these groups although the level of involvement and funding varies from province to province. The study team believes federal programs should recognize the involvement of other levels of government and adjust the funding activities accordingly.

Voluntary Action Program: This small program ($0.78 million in 1985/86) has had most impact through spawning other programs (e.g., Women's Program) in response to special circumstances. However, the study team concluded it should be discontinued as it is not the most effective means of meeting those special demands.

Women's Program: This program was funded at a level of $14.5 million in 1985/86. The study team is concerned that the program may be focussed too narrowly on upwardly-mobile professional women, and that the increase in funding in 1984/85 may not have been warranted. The program needs to reassess its objectives to ensure they are relevant to the current environment.

Multiculturalism: These programs involve $24.4 million in 1985/86. At first glance, the programs appear to duplicate the main cultural programs of the government and its agencies. However, closer assessment indicates that the main programs are not administered flexibly enough to respond to some of the special problems of ethnic communities and multicultural programs fill the gap. At the same time, the study team is concerned that the availability of the multicultural programs will allow regular cultural programs to avoid taking responsibility for these important groups in Canadian society. The study team believes the multicultural programs should be targeted to facilitate integration and understanding and not cultural retention. The latter responsibility should be assumed by ethnic communities themselves, provinces, municipalities or other federal programs.

Tax Expenditures and Other Indirect Subsidies

The value of tax expenditures and other indirect support to cultural activities (such as postal subsidies) is estimated to amount to about $750 million at current levels. Virtually all of the support is provided under the authority of the Income Tax Act, both personal and corporate, the Federal Excise Tax Act and the budget estimates for the Department of Communications and Revenue Canada (the postal subsidies). The major beneficiaries of this very significant component of support are the members of the artistic community itself, the donors to and investors in arts and cultural activities and the consumers of cultural products and services. The analysis is organized around these beneficiaries.

Beneficiaries in the artistic community: The study team assessed the benefits to the artistic community from special provisions in the Canadian tax system and in the supporting social security system. It was found that, following the changes in the 1985 budget, the tax system seemed balanced and fair. Artists in both the self-employed and the employed categories were treated essentially the same as other Canadians. While there are difficulties for social security coverage for self-employed individuals, to which the study team is sympathetic, these are problems common to all self-employed Canadians. The solution is a matter for general tax and social policy, and not a cultural sector problem. No change in the income tax regulations as they affect members of the artist community are proposed.

The tax benefits accruing to donors or investors in cultural activities are generous. At the same time, donations of artwork and money are estimated to be several multiples of the value of public sector budgets for acquisition. These donations can therefore be viewed as a 100 per cent tax used to augment the cultural heritage of the nation. The study team does not suggest any change in the tax regime for donors. It would like to observe that the $500,000 lifetime capital gains exemption established in the 1985 budget has removed an incentive for middle-income donors to contribute art items to public museums and galleries.

The study team reviewed the capital cost allowance provisions for the film industry. The team noted that the abuse that surrounds the history of the fast write-offs was due as much to the ability to transfer losses to other income (i.e., to "shelter" income) as it was to the rate of write-off. The study team suggests that ways be examined to change legislation or regulations to limit write-offs to income derived from film activities. Under these circumstances, the team believes that the current two-year write-off period will not be excessive, and may be barely adequate to offset the risk and short product cycle in the industry.

The main beneficiaries of tax expenditures for culture are the consumers of cultural products. Virtually all of the sales tax exemptions ($310 million) and most of the postal subsidies ($225 million) accrue to consumers. Of the total $535 million, about $510 million accrues to readers of published materials or a subsidy of $20 per capita to readers. In spite of this large subsidy, the study team could not perceive a great benefit to the cultural sector itself. The team does not believe that the volume of reading or the demand for published materials would decline significantly in the absence of the tax and postal subsidies, especially if they were phased out carefully over time. There would be adjustment problems in segments of the publishing industry, but the study team believes the industry would emerge stronger, although probably with fewer firms. There are also a number of administrative problems with the removal of these tax exemptions, but the study team believes they can be overcome. The study team, therefore, believes that the subsidies to consumers can be phased out over time, with an ultimate savings of over $500 million at current levels of expenditure, with no serious long-term harm to the Canadian cultural sector.

COMMON ISSUES

During the assessment of individual sectors and programs, a number of common issues appeared. Although these issues were identified in each assessment, the team believes it is important that they be assessed separately. In a broader context, they take on an importance that is otherwise muted within each program.

"Arm's-Length" Principle

An examination of the so-called 'arm's-length' relationship between 'the government and the agencies responsible for delivering the programs was included in the Terms of Reference of the study team. Specifically, the study team was asked to "examine various interpretations of the principle" and "comment on the usefulness of this principle from the clients' point of view". The team was also requested to provide advice on "an appropriate accountability framework for cultural agencies".

In the course of its deliberations, the study team reviewed the recommendations of Massey-Lévesque, Glassco, Lambert and Applebaum-Hébert; it briefly surveyed international, federal and provincial practices; and it discussed various interpretations of the concept with a broad range of people across Canada. The team interpreted the term "clients" in its mandate to include both the immediate recipients of federal grants and services and the ultimate client, the Canadian public.

The study team has concluded that while there is growing appreciation of the role of elected officials in broad public policy making and coordination and in determining the general direction of resource allocation, there is almost unanimous support for the concept that politicians should not make, nor have to defend, judgments on artistic and cultural standards and applications. By and large, the popular thinking in Canada maintains that operational decisions concerning the sensitive questions of taste, verity and quality are best made by people who are knowledgeable and at 'arm's length' from partisan political pressures.

The challenge, therefore, is to create a process whereby the government has the authority and information it needs to guide resources to the support of its cultural objectives while ensuring that operational decisions on the use of those resources are made by accountable people removed from the day-to-day pressures of the political decision-making process. It is a challenge that becomes increasingly important as demands for expenditures on cultural development grow while resources are constrained. Moreover, the usefulness of the 'arm's-length' principle to clients is not only a function of the existence of the principle but also of the system that results from its application. If the interpretation of the principle is so rigid that methods are found to circumvent it, nobody benefits. Consequently, the study team spent considerable time developing its views on a comprehensive accountability framework to support the 'arm's-length' principle.

The study team realizes that there are alternative ways for the government to deal with the issue of 'arm's length' and the inconsistency that now exists in the treatment of various 'arm's-length' agencies. At the moment, four agencies lie outside the Financial Administration Act while five are included to varying degrees. As one option, the government could choose to deny that there are differences between culturally-oriented and economically-oriented Crown Corporations and reintroduce the regime set out in Bill C-24. In effect, the CBC, the Canada Council, and the CFDC would be brought into the Act. However, given the reaction to Bill C-24 by the cultural community, this may not be a very realistic option.

In a second option, the government could acknowledge that there are legitimate differences between cultural and economic agencies and put forward an accountability regime unique to the cultural agencies and consistent among them. Changes to the Financial Administration Act and perhaps individual enabling legislation could be undertaken under one conceptual framework as recommended by Applebaum-Hébert and others. This option would require that a high priority be placed on the introduction of legislation and the definition of the federal government's role in culture. The government may want to consider releasing a discussion paper on this important issue before taking action.

A third option would require that the government develop a similar accountability framework, as for the second option but implementation would be piecemeal as opportunities arise. The government would need to appoint people to agency boards and management who would assure a tighter accountability regime. This process would have to be on a voluntary basis because the accountability regime would not have legislative authority to support it. Over time, the government could formalize the necessary and feasible accountability mechanisms. This approach could prove frustratingly slow to both government and agencies and could be seen as inconsistent and manipulative.

The choice of option depends primarily upon the priority which the government places on the solution of the problem and on the degree to which it believes the status quo is not acceptable to itself or to the 'clients' of the system.

Coordination and Consultation

The number of participants in cultural activities has grown enormously over the past decades. Support is provided by many government departments at the federal level, by provincial governments, by municipalities and by institutions, corporations, and individuals in the private sector. The study team sees the diversity of support for cultural activities as a healthy development. It provides a more secure financial base for the cultural community and shares the responsibility for the support of a very important aspect of Canadian life.

However, the diversity does raise the need for greater coordination and consultation. There are two important steps which might be taken toward this objective. First, a policy statement should be developed by the federal government for each sector. This would provide the artistic community in that sector, and other supporters, with some benchmarks around which to develop their own planning and budgeting. Second, the federal government should develop an improved consultative process within its own departments and agencies concerning cultural programs and initiatives. Some of this would be achieved through an appropriate 'arm's-length' system but there would still need to be a more informal and ongoing system of consultation if effective coordination were to be achieved.

More importantly, in the view of the study team, a better and more regular consultative process must be established with other levels of government. Provincial and municipal governments have become major contributors to cultural organizations and activities. Coordination and compatibility of these contributions with those of the federal government is critical for the success of an enterprise. For this reason, the study team has emphasized the importance of developing a cultural planning agreement model, outside the scope and funding of Economic and Regional Development Agreements (ERDAs), to be used to further negotiations with each province. These agreements would identify the priorities for each government and set out the general obligations and responsibilities of each government including a process for regular consultation. Sub-agreements and memoranda of understanding could be negotiated for particular projects or programs. Municipal governments, cultural organizations or other supporters would not be a party to the agreement. However, their own planning and budgeting process would benefit from the statement of priorities and general responsibilities set out in the agreements.

Capital Financing

Many cultural activities require major capital outlays from time to time for new theatres, concert halls, or museums. The provision of these funds raises a number of issues much different from the regular planning and budgetary activities of artistic companies or their supporting grant agencies. Major capital expenditures are irregular and require budgeting and management capacities which are not normally available in cultural organizations. More importantly, the criteria for capital commitments involve questions of employment, regional balance and general fiscal capacity that are properly the responsibility of government. They also frequently involve negotiations with provincial governments and other financial supporters which must take place on a government-to-government basis. The team has, therefore, proposed that the responsibility for capital expenditures remain with an appropriate minister.

It is important, however, that major capital projects be undertaken only after full consultation with the cultural agencies involved in the operation and maintenance of the new facilities. The study team was made aware too frequently of occasions when new facilities were announced without a proper assessment of the impact on the budgets, operating plans and even long term strategies of the institutions involved. At times, new facilities can save money and operating costs, but usually they imply heavy additional expenditures and new operating priorities. Operating or professional requirements may also affect the design and scale of the new facility. Full consultation is essential before commitments to new capital expenditures are made.

Promotion and Marketing

The need and potential for improved promotion and marketing of Canadian cultural activities has been a dominant theme in the study team's review. The potential for promotion and marketing was identified in section on the economic issues of arts and cultural subsidies. It was identified again in the assessments for the performing and visual arts, for publishing and for heritage institutions.

The study team believes the directors and management of all the relevant institutions should address this aspect of their strategy.

It is important to emphasize that the study team's priority on promotion and marketing goes beyond the simple commercial objective of increasing revenues and sales from cultural activities, even though that objective has an importance of its own in a period of restraint. The priority also stems from the premise that the legitimacy of public support for cultural programs resides in their ability to help develop the character and image of a country, and to improve understanding between members of the society. This result cannot be achieved if cultural activities are confined to small groups in a few localities. The activities must infuse and permeate all regions and significant groups of the society.

A Regional Focus

The study team has been very concerned with the lack of regional balance in the overall pattern of cultural programming. The dominance of grants to the major performing arts companies produces much of this effect. The pattern is also reinforced by large capital grants to institutions in Ottawa and other major cities. The criterion of 'excellence' for other programs, especially in the Canada Council, also tends to result in support going to professional groups in the major cities. There are powerful factors leading to centralization.

The antidote is difficult to design, but it is important to make the attempt. More emphasis on touring and the priority on promotion and marketing within Canada are appropriate responses. But it may also be necessary to interpret the 'excellence' criterion within regional standards if an appropriate distribution of grant support is to be achieved. It may also be necessary to protect a larger proportion of funds for grants to projects and to individuals. These grants appear to be more susceptible to regional distribution than block grants to major institutions.

Management Issues

Behind many of the problems of the cultural sector are management groups that do not have the skills required to survive and grow in the existing environment. In the early decades managers of the cultural institutions in both the public and private sector properly focussed on the establishment of the core activities and assets of the organizations. The development of collections, and the ability to conserve them, the assembly of orchestras, dance companies and theatre groups, the establishment of publishing houses, all required managers who had a clear perception of the professional standards required in each field and the professional stature and discipline needed to mold the organizations.

Now that the institutions are established and mature, the management priorities are moving in other directions. The skills required are fund-raising and budgeting, market analysis and promotional targeting, negotiating and contracting, labour relations, scheduling, inventory control and asset management. These skills are less developed in members of the professional artistic community than their artistic skills. The study team believes that imaginative approaches will be required to meet these management challenges. Technical assistance programs for management might be required, loans of managers from the private sector or governments might supplement traditional donations and grant support, and fund-raising might have to explore new approaches such as the PARTICIPACTION scheme for health and sports.

Trade Barriers

The study team has been made aware of a potential issue for the cultural industries that may arise in the forthcoming trade negotiations. Private sector cultural organizations in the United States have asserted that Canadian content requirements in broadcasting and book publishing are the second most serious trade problem facing U.S. cultural industries. Grants and contributions to cultural companies have also been designated as a trade barrier. The study team has not assessed these assertions, but it is clear that they could have profound implications for Canadian cultural policies and programs and suggests that the government proceed with great care in any subsequent negotiations.

SUMMARY OF 1985/86 EXPENDITURES BY SECTOR

	($ million)	PYs
Natural and Cultural Heritage	200	3,200 31*
Performing and Visual Arts	120	180 610*
Broadcasting and Film & Video	1,020	1,130 11,670*
Writing and Publishing	80	15*
Citizenship and General Culture	40	120
Tax Expenditures	750	n/a
Miscellaneous	40	550
TOTAL	2,250	5,180 12,326*

* not controlled

THE ECONOMIC ISSUES OF CULTURAL SUBSIDIES

This paper addresses two main questions. One is the nature of the products and the demand for cultural activities, and whether these activities have the capacity to be commercially viable within the broader context of a modern economy. The study team considers that cultural activities cannot be completely independent of assistance. This finding leads to the second question, that is, if public support and subsidy in some form is required to maintain cultural activities, then what is the public policy rationale or objective to justify this public support? The analyses in this paper suggest that while the economic impact of cultural activity is positive, economic reasons alone are probably not sufficient to justify the allocation of public resources to culture. The study team suggests that the main rationale for public support has to reside in the political and social value of cultural activities and their ability to contribute to the definition of the Canadian character.

THE ECONOMICS OF CULTURE

The Nature of Demand for Cultural Products

Cultural products have some very distinct features. They are characterized by variation, and many of the products have a very short life cycle. These two factors mean there is very limited scope for economies of scale in production and distribution for most cultural products. They usually have a very inelastic demand, which means that consumers are not very price-sensitive to the products. At the same time, however, they have a very elastic income demand; meaning that the cultural industries are very sensitive to swings in the business and economic cycle. It also means that demand for 'high culture' is highly related to the middle and higher income segments of society.

The demand for each specific product is non-repetitive, which in technical terms means that the marginal utility falls very rapidly to zero (one copy of a book, one record of a symphony, one television program, one screening of a film, usually exhausts a consumer's demand for that particular item). For many cultural products (paintings and sculpture), their value lies in their uniqueness, and copies are discouraged (to say the least). These characteristics mean that there is a very high risk in production which is non-standardized and high cost. There is also a problem of coincidence of taste between producer and purchaser, which makes marketing of many cultural products a very risky business.

Cultural industries have developed a number of techniques to try and reduce production and marketing risks for cultural products. These include tied marketing in the form of season's tickets, book clubs, block film distribution and the star system.

One further characteristic of many cultural activities has a very significant implication for the operational policies of many cultural institutions and activities. For those cultural activities whose products can be defined as so many units of 'spectator viewing' rather than the production of an 'objet d'art', the marginal cost of producing another unit of output is virtually zero. This definition covers all theatre, ballet, concerts and performances of all kinds, as well as all gallery and museum activities and television programming. Although common usage describes such activities as the production of a play, concert, or an exhibition, what is really being produced and sold are units of spectator viewing or listening time. From this perspective, the total cost of producing the cultural activity is incurred for the first unit of spectator time (i.e., the first ticket sold). Costs incurred for successive tickets are near zero; the only relevant costs are marketing and advertising costs.

In the past, it appears that the low or zero marginal costs of providing additional units of output have frequently (with museum and art galleries at least) led to the conclusion that entrance should be free. There is, however, a quite different conclusion that can be drawn. If an optimum entry fee can be established that will not discourage attendance (note the price inelasticity indicated above), then good business practice would suggest a very vigorous marketing and promotional activity to sell spectator units. If the price (or marginal revenue) is set at $3.00 for example, a marketing promotion that costs $1.00 per additional ticket will still net $2.00. In these cases, vigorous and imaginative marketing programs are implied.

An analogy is close at hand: spectator sports have the same characteristics. Virtually all the costs of putting on a football game or a hockey game are incurred whether 100 or 10,000 spectators show up. As long as the marginal (or additional) costs involved in selling additional tickets are less than the ticket price, then the rewards are great for promotional sales. It is clear, however, that this strategy makes sense only if fees are charged. If a store is losing a dollar a shirt, it should not spend money to increase sales.

In summary, cultural products have a set of characteristics that make economies of scale in production difficult or impossible to achieve, that create very high risks in production and marketing, and that are not price sensitive but are income sensitive. The 'spectator' cultural activities also have great potential for vigorous marketing techniques.

One of the most unique characteristics of some cultural and heritage objects is that the consumption of the benefits of the object does not in any way destroy or 'use up' the object. One person enjoying a painting or sculpture, or looking at a museum exhibit does not reduce the usefulness or utility of that painting, sculpture or exhibit for other viewers. All fine art has this potential for an infinite supply of consumer satisfaction without additional cost. (The potential may not be realized if the art object is in a private collection, or if public access and display are limited.) This is why the price and value of such pieces for galleries and museums can be so high. Parks and heritage buildings or artifacts may have much of the same characteristics, although there is usually some degree of maintenance that goes with consumer use.

Concert performances, plays and similar activities have this characteristic only to a very limited degree. The enjoyment of the performance by one member of the audience is usually not at the expense of another member. However, if the performance is sold out, the consumer satisfaction of the actual audience is at the expense of all those other consumers who could not get in. Thus, up to the point of a full house, the consumption of the cultural activity is not mutually exclusive; after that point, it is.

This is another way of saying that the marginal cost of producing more consumer satisfaction in any cultural activities is very low or zero, some over an infinite range of output. Again, the implication is to market vigorously.

The Characteristics of Cultural Industries

When the characteristics of the products of cultural activities are brought into the overall industrial setting, a number of important relationships between cultural industries and traditional goods and services industries start to emerge. The classic statement of this relationship was set out by Baumol and Bowen in their 1966 study, Performing Arts - The Economic Dilemma.

They argue that, in traditional goods-producing industries, gains in labour productivity are possible through the application of new technology, improved management or economies of scale. If productivity improves by 4 per cent per year, then it is possible to raise the wages of labour in those industries by 4 per cent per year without raising the price of the products of the industry.

In most cultural industries, however, the scope for productivity increases is low or zero. This is because it takes the same number of people the same length of time to play a Mozart quartet now as it did in 1790. It takes the same size of cast and the same length of time to perform a Shakespeare play now as it did in 1600. While the speed and style of painters vary from one to another, there are few intrinsic reasons why Picasso could paint faster than Michaelangelo. Thus the productivity increases of most artistic activities are zero, and the total cost of the labour is reflected in the cost of the product.

The final link in the argument is that there will be considerable pressure in society for the wage rates in the low productivity artistic activities to bear some constant relationship to wage rates in the traditional industries. Thus as wage rates go up in industry, artists, musicians, performers, preservers and supporting staff will press to keep up. This will produce ever-rising costs of products in the arts industry in contrast to the stable cost of output in the traditional industries. As the effect accumulates over time, the rising cost of cultural products compared to commercial products and services will lead the consuming public to turn away from cultural products. Baumol and Bowen conclude that the only way to prevent the demand for cultural activities from approaching zero is to provide large and ever growing public subsidies to offset the low productivity.

The study team suggests that Baumol and Bowen's analyses apply not only to cultural activities but also to a number of other service activities, such as teaching and medical services. The problem of a limited scope for productivity improvements affects them to some degree. The need for public support thus arises in these cases. Indeed, in both education and medicine, public support is dominant, and the rapid rise in costs in both fields is also a matter of current concern.

In addition, there is considerable scope for productivity improvement in the support for all these areas, a point which Baumol and Bowen identify. Better buildings which make changing scenes and storing sets easier will increase productivity in the theatre. New technologies for preparing stage settings and restoration of artifacts, or even new painting and sculpting materials may raise the output or lower the cost of cultural activities. In the same manner, while doctors may not be able to see any more patients in an hour than 30 years ago, new medicines and new diagnostic techniques make the effectiveness and the efficiency of their work much higher. It follows that if the core activity of a cultural performance cannot achieve productivity gains, then it is incumbent upon the managers of such endeavours to ensure that all the productivity gains in supporting activities be realized.

More importantly, it is not clear that the way of measuring productivity used by Baumol and Bowen is always the most appropriate. They are using a traditional definition of output as the cultural event or activity itself. Since each event, concert or performance of a play or ballet requires the same amount of labour as always, productivity gains, by definition, are zero. However, if one defines output as units of spectator time, in those cultural activities where this is appropriate, then productivity gains become more feasible. The purpose of productivity gains is to decrease the cost per unit of output sold. If one doubles the number of visitor hours to a museum, one has doubled the productivity of the museum, less an adjustment for the direct costs of doubling the number of visitors. From this perspective, the productivity of a symphony orchestra is doubled if the house is full rather than half-full. If the size of a symphony hall is doubled the potential productivity gain is also increased, although not by double since the cost of the larger hall must be offset against the additional potential revenue. But again, once the hall is built, the potential productivity gain from filling the hall for each performance is very high.

In the light of this analysis the study team suggests that there is a sense in which real productivity gains are possible in spectator cultural activities, but the gains come from good programming and marketing and not directly from the creation of the event. Furthermore, modern technology can now extend the effective productivity of a cultural event well beyond the immediate area where the event occurs. Concerts are broadcast to a wide audience and can be recorded and sold over time, and plays and visual performances can be televised. All of these techniques are ways of increasing the productivity of the 'cultural event'.

It is sometimes difficult to capture all of the productivity benefits for the producers of the event. One can charge a royalty for a record or a tape of an event, but it is not possible to collect a royalty each time a private individual plays the record or tape. (It is possible to charge radio and television stations each time they play it.) Modern technology, therefore, has created the potential for great productivity increases for cultural activities, but much of the benefit escapes into consumers' surplus and cannot be collected by the original creators. This phenomenon (or externality as economists would describe it) does provide support for the rationale for some subsidy to those artistic events or organizations that produce for modern technological dissemination.

The Economic Impact of Cultural Industries

One of the standard techniques for assessing the importance of an industry is to estimate its impact on employment, income, tax revenues, trade balances and other macro-economic measures. This is usually done by calculating the 'direct' employment, income tax revenues and so on in the industry itself. To this amount is added 'indirect' employment income and so forth that is generated both by the industries' purchases from the rest of the economy, and by the expenditure of the income generated by the employees and investors in the industry. This produces a 'multiplier' effect. A high multiplier is a 'good thing', and multipliers of three and four are often claimed.

According to this approach, if the government subsidizes an activity or industry by $100, the increase in employment and income levels, with a high multiplier working, is very often enough to reduce social support payments and increase tax revenues so that the government can easily recoup its $100 and more. This approach is regularly used to argue for more government spending.

The argument is spurious and misleading for three main reasons, all of which hinge on the fact that the benefits created must be 'net' new benefits. In the first place, 'net' new downstream benefits normally do not exist. Suppliers already exist, usually with excess capacity, so that the new demand can be accommodated without new employment and its attendant increase in income and tax revenues. Downstream benefits should normally be presumed to be zero unless it can be clearly shown and proven that they exist in a particular case.

In the second place, even the primary or direct benefits are seldom all net. They are so only if the expenditure takes someone off the unemployment total. If, however, the support for an industry merely allows the current members to upgrade themselves, then only the increments in their incomes, if any, are a net benefit. If a new taxi driver is hired from the unemployment rolls, this can be attributed as a benefit, but this direct linkage is not always present. There may simply be one less underemployed taxi driver in an over-supplied industry. At the maximum, the multiplier for direct benefits is one, and probably is somewhat less.

The third problem is that each claim for government support and subsidy must be justified on the basis that it is the best way to achieve high economic impact. If the government has $10 million of funds to allocate, will it get the best impact from a subsidy to the performing arts, to a pulp and paper mill, or to a youth employment program? Even if all can be shown to have a positive employment and income impact, which has the largest? This type of argument is more difficult for cultural expenditures to meet.

One common justification for government support to the arts and culture industry is that they are labour intensive, with low wage levels, and, therefore, government support is likely to have a good employment impact. This assumption is in line with the characteristics of the industry and the Baumol and Bowen thesis outlined above. It may be accepted as a credible premise.

However, the same set of premises suggest that the tax generation effects of these expenditures will be low or non-existent. Wage rates are low and below taxable levels, and the cultural organizations are usually classed as non-taxable charities. Indeed it could be argued that the more active this sector is, the more likely it is to attract deductible donations from the private sector, thus having a net negative impact on government revenues. The justification based on tax revenues should be used softly.

The argument that cultural programs have a positive impact on the balance of payments through attracting tourists must also be set out carefully. The number of tourists who would make a special trip to Canada just for a visit to a specific cultural event is probably low. The number who, once in Canada, would visit cultural events would be much higher, but in this case one has to argue that, generally, the cultural attractions could keep the tourist in Canada for an extra period of time, and not merely divert his time and attention away from other passtimes.

In summary, the standard arguments and grounds for assessing economic impact do not provide an overwhelming case for support to arts and culture. If the justification is placed on these grounds, industrial plants, even direct employment creation programs can make equally good and perhaps better claims. The economic impact of cultural programs is probably positive, and this point can legitimately be made. But the impact is not likely positive enough to carry the decision for cultural support programs.

WHY ASSIST CULTURAL INDUSTRIES

The analysis so far suggests that standard arguments about the beneficial impact of cultural industries on employment productivity, balance of payments and tax revenues must be used with great reserve (see page 64 of Applebaum-Hébert). In addition, a number of arguments related to market imperfections and merit goods have been discussed, and have been found to provide some justification, but not a very robust foundation for a major allocation of resources. If traditional economic analysis does not provide a firm justification for the allocation of public resources to arts and cultural activities, then what does?

It is suggested that this question be placed directly where it seems to belong, in the realm of values. If artistic and cultural activities are a major method of developing and articulating the distinctive characteristics of a community and society, then those activities become an important means of developing the image of that community to both its own members and to members of other societies. This image in turn provides an essential base to establish a sense of attachment to that society and the stability and permanence required for civilized existence within it. From this perspective, the allocation of significant public resources to arts and cultural activities becomes an imperative for any government concerned about the future of the community over which it presides.

This kind of value-based justification is not unique to the arts and culture. In fact, it pertains to the vast share of federal government expenditures. Old age pensions, medicare, family allowances and welfare payments would all have difficulty surviving a strict cost-benefit analysis or assessment of their economic impact. So would national defence, which is based on the value judgement that our way of life is worth allocating significant public resources to defend. These value-based programs comprise by far the largest share of federal government expenditures, and their lack of 'economic' justification has not eroded their priority significantly. It is, in fact, the economic programs which are viewed as discretionary, especially when each program is viewed by itself. To include arts and cultural programs in this classification would place them in a position where they would be viewed as discretionary, and the criteria for this assessment would inevitably place them at the low end of the priority listing.

Even the claim that cultural and artistic goods are 'merit' goods (basically the position behind the classic Baumol and Bowen argument) still leaves open the question why the 'merit' goods should be provided a public subsidy. Why does a sculptor or painter warrant such support and not the household butler, whose occupation suffered the same fate? There is a flavour of elitism in the merit goods argument that is not compatible with obtaining support in an egalitarian society.

There is an important implication for the arts and cultural community of a legitimacy based on its contribution to the evolution of the identifying characteristics of the society. The articulation of those characteristics must reflect all aspects of the society and all classes and values in that society. In a pluralistic country such as Canada, this implies that the administration of cultural support programs must be designed to reach and reflect all important groups and segments of that society. The administration of cultural programs solely to achieve some international standard of excellence and taste in the fine arts and the performing arts runs a danger of abdicating the social role on which the support to the arts and cultural community is based. Excellence must be interpreted and maintained in a way that allows the cultural activities to spring from the Canadian experience.

In summary, the strictly economic justifications for public expenditures on arts and culture are positive but weak, particularly when compared to alternative economic programs. On the other hand, the legitimacy of such allocations are strong on value-based terms. They can provide a direct and important contribution to developing a distinctive characteristic and image for Canada.

The study team is aware that, in the priorities for the allocation of a society's resources, the basic requirements of food, shelter, health and care for the dependent must come first. The hallmark of a wealthy society is that these priorities can be adequately met and still have resources left to devote to the cultural enrichment of the society and the individuals within it. Canada is a wealthy society in relative terms. The study team thus believes that Canada can afford to allocate resources to maintain the Canadian cultural sector. Cultural activities should carry their share of restraint in times of slow economic growth, but the long-term development of the cultural activities and institutions does require a minimum level of support to maintain the cultural infrastructure of the nation. This basic judgement underlies many of the assessments made by the study team.

'ARM'S LENGTH': PUTTING PRINCIPLE INTO PRACTICE

INTRODUCTION

The terms of reference for the mixed Study Team on Culture and Communications contained the following instructions:

> In the artistic and cultural field, the Task Force recognizes that, with regard to certain types of activities, federal funding is based on the existence of an 'arm's-length' relationship between the government and the agencies responsible for delivering the programs. The study team will examine various interpretations of this principle, take them into account in the conduct of its review, and comment, as appropriate, on the usefulness of this principle from the client's point of view.

The terms of reference went on to request advice on "an appropriate accountability framework for cultural agencies".

In interpreting this mandate, the study team defined 'client' as being both the immediate recipients of the grants and services being delivered and the ultimate client, the Canadian public. It also found that the principle was of little use to this clientele if the support systems set up to give it life were ineffective. Consequently, while this Report sets out and analyzes various interpretations of the 'arm's-length' principle, it also describes an accountability structure that might ameliorate many of the problems facing the federal government and its existing cultural agencies.

INTERPRETATIONS OF THE PRINCIPLE

In investigating the various interpretations of 'arm's-length' which exist in Canada and abroad, the study team determined that, although much has appeared in the press invoking the 'arm's-length' principle, little has been written on its characteristics or its applicability to the Canadian scene. In discussions with program managers, client groups and provincial counterparts, the study team found the concept often meant different things to different people.

Although the Canada Council is considered by many as synonymous with 'arm's-length', the concept of policy and programming activities being undertaken in the cultural area by an organization that was not a department and therefore not directly managed by a minister of the Crown pre-dates the Massey-Lévesque Commission which recommended the establishment of the Canada Council. The National Gallery of Canada was created in 1913, responsible to a separate Board. The CBC was set up in 1936. The National Film Board was established in 1939. The Canada Council was not established until 1957.

The Massey-Lévesque Commission recommended the newly created Arts Council of Great Britain as a model for the Canada Council. Any number of reasons could be put forward for the choice of the British model but certainly one of them must be that the French tradition had not yet developed an equal footing in the precedents used for Canadian institutions. France had at that time, and still does, a rather proactive, 'dirigiste' Ministry of Culture.

The environment that existed at the time of the creation of the British Council could explain the reason for its structure. The council was set up immediately after World War II, possibly as a reaction to the degree that Nazi Germany and Fascist Italy had manipulated cultural endeavours to glorify the state. Perhaps the 'arm' would not have been as long otherwise. Several other European countries have arts councils but none of them have the 'length of arm' claimed by either the Canadian or British councils.

Today the British council is facing many pressures to define and adjust the principle. Britain's major national arts institutions and organizations are requesting direct funding from the government. The British council has produced its first-ever strategy stating its funding priorities and new decentralization policy for public discussion.

None of these foreign interpretations of the 'arm's-length' principle are particularly relevant to the Canadian situation today. Even if the British model at the time had been relevant, the times have changed.

In Canada, at the provincial government level, the practice of using 'arm's-length' mechanisms varies greatly. All provinces now have departments or ministries responsible for cultural activities. Only four provinces (Ontario, Alberta, Saskatchewan, and Newfoundland) have autonomous arts councils, but again the policy and resource allocation processes vary. None of them have the 'length of arm' regarding policy direction claimed by the Canada Council. There is little consistency across the provinces on how cultural institutions relate to the various governments. Some report to 'arm's-length' boards while others are enclosed in the departmental structure. One point, however, does appear to be common. Most provincial arts councils and other 'arm's-length' agencies, such as museums, art galleries and broadcasting corporations, negotiate on policy and budgetary matters directly with the minister responsible for culture.

In the federal government, there exist a number of variations on the delivery of the 'arm's-length' principle. There are a number of Crown Corporations managed by 'arm's-length' boards, served by their own managements at varying degrees of removal from the Public Service. There are also mechanisms, such as the Cultural Property Import/ Export Review Board, which have certain legislated powers of decision-making but whose secretariats are part of a departmental hierarchy. Finally, there are numerous advisory panels and boards such as the Enterprise Development Boards (DRIE) whose powers are not legislated but to whom ministers delegate certain decision-making responsibilities, either because ministers do not want to make the decisions or because they should not.

THE PROBLEM TODAY

Since the Massey-Lévesque Commission (1950), Canada has had recommendations concerning policy direction and accountability from Glassco, Lambert and Applebaum-Hébert, and has made several attempts to bring some order into the Crown agencies system such as Bill C-27 (1979), Bill C-123 (1982) and Bill C-24 (1984). In the study team's opinion, none of the studies which have addressed the cultural sphere specifically have viewed the advantages and disadvantages of a model from both the cultural and political perspectives. On the other hand, those that have been specifically control-oriented have not considered the unique problems of state operations in the realm of cultural development.

The latest attempt at standardization of control, Bill C-24, dealt with some of the cultural agencies on some control matters without dealing with the philosophical underpinning of why cultural agencies exist. This shortfall led to a rather heated public debate in which both sides failed to comprehend the position of the other. The drafters did not consider the unique sensitivities of the cultural community nor the unique role of the cultural agencies. The cultural side did not explain their concerns well but took refuge in the precedent set in one country under unique circumstances. As a result, when the smoke had cleared, four Crown Corporations in the cultural sphere had been excluded from the provisions of the Financial Administration Act: the Canada Council, the Canadian Broadcasting Corporation, the National Arts Centre, and the Canadian Film Development Corporation. Another group of five agencies, undertaking many of the same activities for the same purposes, had been included. The government of the day promised to bring forth legislation specifically related to Crown corporations in the cultural sphere. In the opinion of the study team, neither side to the Bill C-24 debate considered the political and popular realities of present day Canada.

In its deliberations, the study team had opportunity to reflect on just a few of those realities:

a. state spending on cultural activities at all three levels has increased significantly and has thereby gained a new prominence in the eyes of political decision-makers;

b. culture is challenging for resources at a time of scarcity and at a time when more and more hard information on value is demanded by decision-makers at all levels;

c. the role of Parliament vis-à-vis the government and even individual ministers is undergoing fundamental scrutiny;

d. the various client groups and the general public are demanding greater coordination and efficiency among programs for their tax dollars;

e. as provincial and municipal governments become more involved in cultural programming, new mechanisms are required to coordinate activities and funding; and

f. the organizations, institutions and even the creative individuals themselves have become more sophisticated politically and managerially.

In the course of its review, the study team canvassed artists and creators, arts and business administrators, and provincial and federal program managers. It found that while there is growing appreciation of the role of elected officials in broad public policy-making and coordination and in determining the general direction of resource allocation, there is almost unanimous support for the concept that politicians should not make nor have to defend judgments of artistic or cultural standards and applications.

The study team feels that an opportunity now exists for the federal government to set up a uniquely Canadian system that recognizes the dynamic partnership that must exist between the federal and provincial governments; the public, private and voluntary sectors and the funders, creators and users of Canada's cultural products. The following pages contain the study team's views on why the government might find it advantageous to use 'arm's-length' boards to manage its major, ongoing interventions into cultural development. It also suggests mechanisms for the control and guidance of such boards and how they might be structured to best serve their purpose and support the government's policy objectives.

THE NEED FOR 'ARM'S-LENGTH' MECHANISMS

In a free society, the general education of the individual is considered, in large part, the responsibility of the individual. The Massey-Lévesque Commission defined education "as the progressive development of the individual in all his (or her) faculties, physical and intellectual, aesthetic and moral". In Canada, over the last 100 years, society has come to play a significant role in the support of this development. Through the state, it has paid substantially for the formal mechanisms (schools and universities) needed to set the base for development.

But there also exist a range of less formal developmental mechanisms: books, periodicals, newspapers, radio, television, films, records, exhibitions, lectures, dance and musical performances, study groups, etc. Decisions made concerning the content of these products tend to involve judgments of taste, quality or verity. Dance, music, film, video and books often involve questions of taste. Museums, archival and library collections, research and exhibitions involve matters of informational verity. Broadcasting and book and periodical publishing present fears of bias and informational accuracy. All involve subjective judgments of quality.

All three levels of government in Canada have moved to increase support activities in these cultural areas. To a large measure, but inconsistently, there is an increasing trend towards the use of an 'arms-length' board or advisory group structure rather than a departmental structure to provide grants to, or to operate in, most of the cultural sector: museums, performing and visual arts organizations, publishing, broadcasting and film. By and large, the popular thinking in Canada has maintained that operational decisions concerning taste, verity, and quality are best made by people who are knowledgeable and professional and who are removed to some extent from the unique pressures of the political decision-making process.

This tendency is as much for the protection of the politician as it is for society. Politicians should not be called upon to make or defend artistic and cultural judgments. On the other hand, artists should not make political decisions affecting economic or social development. If cultural activities could be undertaken without requiring trade-off decisions against society's other priorities, then the concept of 'arm's-length' operations would be more easily accepted. Artistic decisions could be made by artists without fear of compromising or being compromised by other priorities.

Today in Canada, this is not possible. The resources wanted and needed by the cultural community cannot be found solely in the private, corporate, and philanthropic sectors of Canada. Canada has neither the tradition nor the inclination to sustain the cultural sector at an acceptable level without recourse to tax dollars. Consequently, the resources cannot be made available without consideration of the relative merits of cultural objectives against those in other areas, such as education, health care, employment, industrial development, resource management, defence. The responsibility for making strategic and resource decisions legitimately falls to elected officials, ideally in consultation with the professionals in each area and with the public.

The challenge is, therefore, to create mechanisms whereby elected officials have the authority and information they need to make the decisions necessary to guide resources to the support of cultural objectives while ensuring that operational decisions on the use of those resources are made by knowledgeable professionals removed from the day-to-day pressures of the political decision-making process.

ROLE OF MINISTERS AND OF 'ARM'S-LENGTH' BOARDS

It is the premise of the study team that there are areas of activity where it is to the advantage of both society and the elected officials involved to delegate the implementation of strategies to groups of knowledgeable, responsible people operating at 'arm's-length' to the government. Operations in cultural development which include decisions of taste, quality, and verity form one of those areas. Because operations in this area affect the development of the thought patterns of an individual, not only must the state not have undue influence on implementational decisions but the system must show that the state does not have undue influence.

The range of operations assigned to the 'arm's-length' mechanism is perhaps broader than has been recognized in the past. It should include such decisions as what works of art, books, artifacts, records, or information should be saved for posterity, what facts should be included in exhibitions, films and television programs, what plays or pieces of music should be presented or books and periodicals published and what natural and man-made phenomena should be researched and how. These are basically decisions of quality, taste, and verity and are best left to a process, involving a wide-range of experience and education. In the private and voluntary sectors of the western world, the concept of an objective board with a clear, efficient organization responsible to it, has been used to considerable effect. The study team believes that the government should make greater use of objective boards of appointed individuals with a wide variety of education, experience, and social and regional representation as instruments to support or manage the federal government's interventions in the cultural sector.

It is the study team's belief that it should be the role of elected officials to set mandates and broad strategic policies and priorities, to construct the 'arm's-length' boards responsible for implementing strategies, to broadly assign the resources required to accomplish these strategies and to satisfy themselves with the effectiveness of the results. It is the role of knowledgeable professionals at 'arm's-length' from the political process to give ministers advice on broad strategies and policies, to develop operational policies and programs to accomplish government policies, to manage the programs and to report back on the results accomplished.

While there are decisions to be made in the state support of cultural development that are best made at 'arm's-length' from the political system, there are a number that, by their nature, cannot be. Two examples of the latter type may be the funding of major capital projects and the provision of continuous operational funding based on economic, social or regional criteria, perhaps in addition to cultural criteria.

The study team believes that major facility development projects should be decided upon by a minister since they usually require negotiation with other government levels and trade-offs may be required. It believes, however, that capital investment decisions require extensive consultation with the professionals in the relevant cultural agencies as they impact heavily on future operational decisions. In this regard, the study team noted the proposal put forward in the recent Report of the Special Committee for the Arts in Ontario, headed by Robert W. Macaulay, Q.C., that stated that "any capital grant made to an arts organization should be reflected in an increase to the grants allocation (of the relevant cultural agency). This increase should be ongoing and based on a realistic assessment of the future operating and programming expenses of the new facility or its prime tenants". The study team does not agree that an increase should be automatic but, certainly, no major capital decision should be made without consideration of its effect on operational support.

The other area for direct ministerial involvement is the provision of long-term, ongoing, operational support based on a range of criteria or considerations other than, but including, artistic or cultural relevance. It may be that the only way that Canada's major cultural organizations (museums, theatre companies, dance troops, national schools, etc.) may obtain secure and adequate funding is to develop a system of negotiated contracts between the organizations, the three levels of government and the corporate sector. The National Museums of Canada has developed such a proposal for the support of Canada's major museums and art galleries. To guarantee the autonomy of the cultural organizations, the funding should be delivered through a set formula that only provincial and federal ministers could negotiate. The foregoing would not preclude a minister from choosing an 'arm's-length' agency to administer either a capital or sustaining program. It simply acknowledges that decisions at the ministerial level are required.

MINISTERIAL RESPONSIBILITY IS FOR STRATEGY

To this point, the views of the study team on the need for 'arm's-length' agencies have been consistent with the views of the cultural community in general and with the drift of the Applebaum-Hébert Committee Report. It is at this point that the study team parts company with some members of the cultural community and cultural agencies. The study team proposes a more determined assignment of responsibility to the government for the guidance of 'arm's-length' boards through a more rigorous planning and monitoring system than currently exists.

Tension has developed over the last number of years because ministers and central agencies have felt that the cultural agencies have been rudderless or unresponsive to government direction. The mandate statements given to the agencies in their enabling legislation are too general to determine what is or is not a priority activity in times of economic restraint. Little policy has been developed to provide direction. Ministers have become frustrated because they believe they cannot direct implementing agencies towards government objectives. Agencies have become frustrated because they are pressured to make individual decisions in a strategic policy vacuum. Central agencies suggest specific program reductions which are resented by agency professionals who know more about the cultural community they serve. To end this tension, mechanisms must be set into place that restore the confidence of ministers and agencies in each other.

A fair process to facilitate ministerial guidelines and directions on matters of strategy would be a good place to start. The initial questions to be addressed concern the agency mandates. In almost all instances, these are broad statements which are too abstract to be of much operational use without further definition. A process is needed whereby an agency's legislative mandate could be further refined to be consistent with the strategic objectives and priorities of the government of the day. The minister and the board should consider themselves partners in the strategic direction and evaluation of the agency.

A strategic planning process should be put into place that ensures a corporate strategy (analogous to a corporate business plan) is developed by each agency to provide a conceptual framework against which the effectiveness of an agency's actions could be measured. To be useful for planning purposes, a strategy should have a five- to ten-year planning horizon but it should be reviewed annually by the board and the minister. As visualized by the study team, an agency's strategy would include fine tuning of the legislative mandate, a results-oriented mission statement, more specific corporate objectives, organizational/program structures designed to meet these objectives, resources assigned to the programs in broad terms and a statement of the results expected. The strategy should also include a statement of priorities over the next three- to five-year period.

The corporate strategy described above would be developed and approved by an agency's board for review with the minister. Input from the minister throughout its development would minimize disagreements at the final presentation stage. If, as a part of the development of its strategy, an agency sponsored broad public consultations, one of the major complaints of the cultural community would be well addressed. Many of the organizations met by the study team complained that agency and government policies were determined without reference to or input from them.

In reviewing an agency strategy, the minister would bring to the discussions those government policies and objectives which were relevant to the operation and an idea of the level of resourcing that he or she was prepared to recommend for the agency. The minister would gain from the discussion an understanding of the consequences of adding or taking resources from the agency. The board would gain an understanding of the broad concerns of the minister, the results expected of it, and the resources it was being given. When agreement had been reached on the results expected and the resources allocated, the minister would make his or her resource request of the treasury with whatever support documentation was required for Cabinet and the Treasury Board.

The study team's ideas are derived, in part, from that process now used in Ontario. In Ontario, the minister has negotiated a memorandum of understanding with each agency that sets out the respective roles of each party and the externally imposed rules of conduct applicable to the agency's operation. An annual budget is developed each year following a process set out by the Ministry of Culture. After negotiations with the minister, it is the Ministry of Culture that deals with the treasury's resource allocation process. Such a process enables the minister responsible for culture and the various cultural agencies to develop an overall strategy and set of priorities for his or her portfolio. It also means that the Treasury Board does not have to sort out the priorities among various cultural demands. Cultural agency officials and Treasury Board officials do not deal with each other directly, which reinforces the 'arm's-length' principle and the responsible minister's role.

The criticism of the memorandum of understanding instrument seems to be that it has become too legalistic and does not serve as a publishable planning document. The study team seeks the development of a strategy document that would set out roles and governing guidelines but that would also make direct use of recent government initiatives by including performance goals and measures.

The advantages to such a process would be several:

- the minister responsible would be put directly in charge of the strategic planning process for the agencies;
- an agency's budget would be established in reference to a corporate strategy that would ensure that consultation took place and consequences were understood by all parties;
- an agency would be required to put in place management systems that made sense to its 'businesses' and unique environments and that supported its operational decisions; and
- an agency's board would be intrinsically bound up in the government's policy-making process, having produced a corporate strategy, discussed it with the minister, and advised him or her of the effects of different resourcing decisions. It would have been a

part of the priority-setting exercise and consequently could not disassociate itself from it.

Cultural agency legislation requires that an annual report be presented to the minister to table in Parliament. As no system of rigorous performance goals and measures exists now, these annual reports are little more than promotion documents. Following the approval of an agency's corporate strategy, each agency should be required to prepare an annual three-year operational plan for its board. It would be against this plan that its performance would be measured. The study team believes that the formats of the annual plan and the annual report should be developed so that they are much closer to the concepts used in Part III of the Main Estimates. An 'arm's-length' board's accountability to both the government and Parliament would thereby be enhanced and meaningful. The board would be protected because it would be measured not on how it was spending public funds but on whether or not it accomplished results.

MAKING ARM'S-LENGTH BOARDS MORE EFFECTIVE

Designation of Boards

At present, the federal government has some nine agencies operating in the cultural field: the Canada Council (CC), the National Arts Centre (NAC), the National Film Board (NFB), the Canadian Broadcasting Corporation (CBC), Telefilm Canada (CFDC), the National Museums of Canada (NMC), the Public Archives of Canada (PAC), the National Library of Canada (NLC) and the Social Sciences and Humanities Research Council (SSHRC). These agencies involve themselves in professional judgements of taste, quality and verity on acquisition, research, interpretation, publication, performances, etc., or on grants to support these activities.

It would appear that little consistency has been exercised in the establishment of these agencies or their boards or in developing an operating regime which is consistent with the delegation of responsibility. Some of the cultural agencies do not have Boards (NLC and PAC). Some do have boards but their composition, their scheduling under the Financial Administration Act (FAA), their inclusion or not under the Public Service Staff Relations Act (PSSRA) or the Public Service Employment Act (PSEA) and their control mechanisms seem to have been left to expediency. Furthermore, there are operations important to Canada's cultural development that do not use the agency structure such as Parks Canada and DOC's Program for Cultural Initiatives. While recognizing the need for flexibility and the difference in agency activities, the study team believes that the cultural community would better understand and support the government's new approach to the 'arm's-length' principle if the definition of what activities required 'arm's-length' was made more consistent and the administrative treatment of 'arm's length' boards was made more uniform. To accomplish this end, changes would be required in both the enabling legislation of each agency and the Financial Administration Act (FAA).

The recent amendments to the FAA concerning crown corporations set out the relationships between those corporations and the government, including the powers of the government and of the boards. As a result of the 1984 debate, the amendments do not apply to the Canada Council, the CBC, Telefilm Canada, or the National Arts Centre. They do apply to the Public Archives, the National Library, the National Museums of Canada, the National Film Board and SSHRC. Substantial opposition was raised against the automatic inclusion of the cultural crown corporations within a regime developed for economic crown corporations. It principally centred on the power of ministerial directive and the burdensome administrative controls. The drafters of the legislation had not considered the 'arm's-length' principle in the cultural sector. The cultural forces arrayed against Bill C-24 argued that, in the economic sector, the government could make operational decisions but chose not to. In the cultural sector, it should not make the decisions. The necessity of shielding cultural activity from the power of the state may require more policy autonomy than that enjoyed by an economic agency.

The study team believes that any attempt to include the excluded agencies in the FAA without addressing the philosophical reasons for their existence will meet with the same opposition that confronted Bill C-24. It also believes that the tight control regime set out in the FAA is not necessary to the government's objectives and that advantages could be gained by easing it for the cultural agencies. To this end, the study team suggests the government consider developing a distinct policy providing for a separate legislative definition and regime for the cultural agencies. This step would go some distance to meeting the concerns raised by the Applebaum-Hébert Committee.

While the exact application of the FAA to cultural agencies would have to be determined by the government after consultation with its legal advisors and, perhaps, the Auditor General, the study team would suggest that, at least, the following would be applicable:

- the cultural agencies would be exempt from the power of direction laid out in s. 99. The corporate strategy process would provide a more satisfactory alternative;
- the agencies would be included in s. 114 and specifically (7) to make the board responsible for the appointment of the CEO;
- s. 123(3) and (4) concerning government control of by-laws would need to be adjusted to the 'arm's-length' concept governing cultural agencies;
- the agencies would be included in s. 129 concerning corporate plans to the extent that a corporate plan met the conditions of the corporate strategy outlined earlier. Sections 130 and 131 would need to be adjusted; and
- the agencies would be included in the report and audit provisions of the FAA to the extent that they met the conditions outlined in this report.

Amending the Financial Administration Act would enable the government to eliminate the various anomalies that now exist in board structure and operational procedure and to bring four agencies in from the cold. It would not enable the government to fine-tune or adjust mandates. This could be done either through separate cultural agencies legislation (as recommended by Applebaum-Hébert), through an omnibus bill that changes all existing cultural agency acts, or through a government policy that would guide changes to individual acts over the next few years.

Regardless of the mechanism chosen, the study team believes the government should develop a policy with ensuing legislation that would acknowledge that crown corporations in the cultural sector are unique and require an accountability regime which differs from that required by crown corporations in the economic sector. The regime should make the board structure and powers of the cultural agencies now excluded from the FAA uniform and consistent. The government should consider at the same time the removal of the National Museums of Canada, the National Film Board and the Social Sciences and Humanities Research Council to the same regime as their activities actively and intrinsically involve judgements of taste, verity and quality. The study team feels, however, that the decisions made by management of the National Library of Canada and the Public Archives of Canada are such that 'arm's-length' boards are not required.

APPOINTMENT OF BOARDS

The basic premise of the study team is that the cultural objectives of the government can be best accomplished by the assignment of operational responsibilities to an 'arm's-length' board. If this approach is to be adopted, however, the boards now serving the federal government must be strong and must be seen to have strengths. Appointments should be made for managerial and/or professional experience. If the government wants lean, efficient cultural agencies that it can rely upon to implement government strategy, then a process that delivers and supports quality board members is essential. In fact, the accountability framework outlined in this paper will succeed only if the boards consist of strong, knowledgeable, and vitally interested members of the public who are fully aware of their responsibilities to their 'shareholders', to the constituencies they are appointed to serve, and to the Canadian public.

The study team suggests that a way be found to give ministers responsible more weight in the decision-making on appointments. It believes that if a minister is to be held accountable for the results of an agency, then he or she must be more involved in the appointments to boards. To counterbalance the movement of the board to true 'arm's length', the cord back to the responsible minister must be firm, strong and direct. Again, the accountability framework outlined herein will only work if the government, acting through the minister responsible, seeks its policy objectives, both fiscal and functional, by consistent exercising of its legitimate right to consult with the boards.

APPOINTMENTS OF CHIEF EXECUTIVE OFFICERS

Again, the consistency of the relationship of a Chief Executive Officer (CEO) to his or her board is notable by its absence. The CEO is chairman of the Board at the CBC and NFB and Vice-Chairman of the Board at the NMC. The CEO is not on the board of the NAC or Telefilm but appointed by the board only at the NAC. All have an ambiguous relationship to their boards.

The board should make policy and management should implement it. Those chairmen who are also CEO's have a conflict of interest. They cannot readily support fellow board members who want to chastise management for some action without compromising their responsibility to represent staff. Those CEO's who are not appointed by the government have a potential conflict of interest in negotiations between an 'arm's-length' board and the government. A board responsible for delivering on the government's objectives should have control of the instruments to do so. Consequently, the study team believes the CEO in all 'arm's-length' agencies should be appointed by the board of that agency, but only after consultation with the minister responsible.

ORIENTATION OF BOARD MEMBERS

The study team found that, at the present time and in the recent past, the orientation of new board members and meetings with the minister responsible did not occur often. Unless the minister takes the opportunity to involve the board in his or her strategic thinking, there is small likelihood that the board can ensure that the resultant objectives are realized. Likewise, unless the board keeps the minister informed of its ideas and initiatives while developing a draft strategy, conflicts may arise when the final strategy is presented.

Although a general statement of the duties of a board member appears in the FAA, the study team believes an agency-specific set should be drawn up and agreed to by the minister and the chairman of each agency. Upon appointment, a new board member should be briefed fully on the corporate strategy of the agency and the policy expectations of the government.

To continue the orientation, the study team suggests the minister host regular meetings with the agency boards to keep himself or herself informed, and, in turn, to inform the boards on broad policy directions and intentions. The meetings could be a combination of attendance at annual general meetings of each agency, convocation of a general assembly of all board members, or regular meetings with chairmen, both individually and collectively.

ACCOUNTABILITY TO PARLIAMENT AND THE PUBLIC

Mention was made in previous sections of a redesigned annual plan and annual report format along the lines of the new Part III of the Main Estimates. Another potentially useful accountability mechanism available to the government is the regular comprehensive audit. Comprehensive auditing is designed to determine whether or not program objectives have been achieved (effectiveness) and how they were carried out (efficiency) by assessing processes and operational controls. The NMC was the subject of a comprehensive audit in 1980 that led to significant structural changes. The CBC underwent a comprehensive audit by the Auditor General in 1983 which its management has since made public. The Canada Council is discussing the final recommendations of its first comprehensive audit. These audits could well prove to lead to the most constructive changes made yet to any of these agencies. The study team feels that greater accountability could be obtained from the cultural agencies by requiring that a comprehensive or value-for-money audit be undertaken by the Auditor General at least every three years for each agency.

A requirement such as this can only rationally be put into place if a strategic planning system as described earlier also exists. The comprehensive audit would have to be synchronized with an agency's corporate strategy and annual plans and would be most effective if it and management's response to it were made public. As the audit would be of the programming decisions of the board, the minister would be at 'arm's length' from the findings and therefore could ensure that strategic changes were incorporated in the next corporate strategy.

GENERAL OPERATIONAL PROCEDURES

A number of the study team's observations fit under the catch-all of general operational procedures. The study team believes that the government should attempt to take as much of the bureaucracy from the back of its small agencies as possible while ensuring that the government has the broad policy input and the reporting mechanisms it needs. There are several bureaucratic procedures that limit a small agency's ability to get on with the job and compromise the 'arm's length' given a board.

One reason for the establishment of cultural agencies is because they are engaged in a business that cannot better be done by a department. For the most part, they operate in an unique environment or with specialized communities. As Applebaum-Hébert noted, "these agencies draw their professional - and increasingly much of their managerial - staff from the cultural sector, often on relatively short contracts, and would find it inappropriate, if not difficult, to be treated as part of the public service". To varying degrees, these findings relate to all cultural agencies. Moreover, exchange with other non-federal cultural institutions should be facilitated. As was stated earlier, all 'arm's-length' agencies should be treated similarly under the Financial Administration Act. The study team also suggests that the government consider the advantages of treating the 'arm's-length' agencies similarly under the PSEA and the PSSRA.

CONCLUSIONS

Generally, the study team found that previous governments had treated their cultural agencies with a combination of benign neglect strategically and zealous attention operationally. In its opinion, a prescription leading to the exact opposite condition would result in healthier cultural agencies, a healthier relationship between the agencies and the minister responsible for cultural policy and more effective accomplishment of the government's cultural objectives.

To this end, the study team has developed an "accountability framework" as requested by the ministerial Task Force. The suggested framework will require further analysis, but, in the opinion of the study team, its implementation would:

1. Ensure that the government has the mechanisms it needs to guide strategically Canada's cultural development, namely:

    a. strong 'arm's-length' boards;
    b. a process to provide these boards with mandates and strategic policies and priorities;

    c. full understanding of the consequences of new policy initiatives and of different levels of resource allocation;
    d. annual plans and reports which reflect measurable results against set objectives to show an agency's effectiveness; and
    e. comprehensive audits that look closely at the efficiency and effectiveness of an agency's management.

2. Give the boards of cultural agencies the mechanisms they need to accomplish the government's cultural policies, namely:

    a. strong, politically relevant chairmen and members; professional CEO's and staff responsible to the board;
    b. regular strategic policy guidance from the minister but in the context of a well-thought-out and public corporate strategy;
    d. knowledge that the minister understands fully the consequences of policy initiatives and resource allocations; and
    e. the administrative flexibility to deal directly and efficiently with the communities it serves.

3. Give the client groups an understanding of and input into the strategic direction of each cultural agency and of the government through:

    a. a published corporate strategy with updates after each strategic change;
    b. annual reports and comprehensive audits on the efficiency and effectiveness of programme delivery; and
    c. the opportunity to participate in a regular consultation process before the review of each Corporate Strategy.

4. Give the Canadian public a policy for cultural development in Canada, if not a national cultural policy, at least a strategic policy for each cultural agency.

NATURAL AND CULTURAL HERITAGE

OVERVIEW

This sector covers a number of the major national cultural institutions, as well as a number of departmental programs and agencies and involves about $200 million and 3,200 controlled person-years in 1985/86. The major institutions are the National Museums of Canada (encompassing the National Gallery of Canada, the National Museum of Man, the National Museum of Natural Sciences and the National Museum of Science and Technology), the Public Archives and the National Library. The departmental programs reviewed include National Historic Parks and Sites of Parks Canada and the National Battlefields Commission of Environment Canada.

The main issues common to the institutions in this sector appear to be the following:

COLLECTION POLICIES

The study team has concluded that all federal heritage institutions need to focus more on the management of their collections and less on acquisitions. Most of them have reached a stage of maturity where collections are sizeable and the burden of maintaining, conserving, storing and displaying them is becoming significant. Clear policies and priorities should be established about what is to be acquired and retained, declined or disposed of, in accordance with the clearly-defined mandates of each institution. Collections policies must be closely related to the basic mandate of each institution and take into account a realistic estimation of future costs of any new acquisition in terms of space, conservation and cataloguing. Disposition must be considered as well as acquisition. A judicious disposition program would not only lead to more focussed and manageable collections, but also provide an opportunity to enrich the collections of local and regional institutions with materials of specific interest to them and which are not of significant national importance or central to federal activities.

SERVICE QUALITY

The study team has concluded that heritage institutions attempt to provide services at an extremely high level, based on the expectations of client groups without consideration of the economic consequences. Objective measurements of service levels should be established and reviewed annually by management in order to provide a basis for program adjustment to reflect the consequences of variations in funding and the changing needs of the client groups.

REVENUE GENERATION

The study team has concluded that heritage institutions should consider the implementation of a variety of revenue generation methods, including admission fees, voluntary contributions and sponsorhips, in order to contribute to the better maintenance of heritage collections. Care should be taken, however, not to discourage use or attendance by a burdensome fee structure.

Those issues which relate specifically to the institutions reviewed in this sector are as follows:

NATIONAL MUSEUMS OF CANADA

Resources in 1985/1986: 1,043 person-years and $74.9 million.

Since its inception in 1968, the National Museums of Canada have been variously attacked, questioned and defended. For its part, the study team is of the view that the general model of a complex of museums covering the major areas of Canadian heritage continues to have merit in itself. Furthermore, the study team has examined the general performance of the NMC since its inception and has not found deficiencies of such a nature as to call into question its existence or general structure. Possible improvements have been examined but, on balance, the study team has concluded that a major structural change at this time is not necessary nor timely. Nevertheless, the study team recognizes that, as a result of its suggested policy reviews of the mission of the four national museums and of the national programs, adjustments may eventually be required to the structure or mode of operation of the corporation.

In its first 15 years of existence, the corporation suffered from a serious defect in its decision-making apparatus, and as a result, authority lines were weakened. However, the study team is also of the view that senior management and the board itself did not fully exercise the leadership and authority that the existing administrative arrangement could have permitted.

The study team has noted the changes made in 1983 in reporting relationships at the senior levels but thinks that additional improvements are necessary to the structure of the reporting relationships among managers and between the board and senior management, namely in the type of appointment of the directors of the four national museums and in the status of the chief executive officer in relation to the Board of Trustees.

In order to aid the four national museums to operate most effectively in an environment which has undergone several significant changes in the past half-century, it is suggested that a review be undertaken of the mission of the four national museums. This policy review would aim to define more precisely the specific objectives of each institution within available resources, identify the appropriate balance between research and public programming activities, and pinpoint those areas in which it is judged appropriate to strive for truly national leadership. This is an urgent requirement given the impending move to the new museum buildings.

In recognition of the larger number of museums of quality and size in Canada, there is a need to continue to accelerate the development of specific collections management policies that identify the essential core of each of the national collections. The four national museums should then seek to build on these cores and recognize that they must specialize in their collecting activity and make changes on the basis of clearly identified collecting priorities. The study team is also of the opinion that NMC should devolve to other Canadian institutions those artifacts not essential to the national collections through a process of long-term loans, trades or other appropriate means, thus enriching their holdings and enabling more Canadians to experience more of their material heritage. The four national museums must also develop an aggressive strategy for public programming and marketing, both in the National Capital Region and at the national level.

The study team believes the national programs, successful since their inception, and continuing to operate effectively but with resources that have declined substantially in real terms over the past 10 years, should now be reviewed. The aim of this policy review would be to refocus federal programs to take full account of the growing provincial and local involvement in the sector.

The review should include the advisability of maintaining the Museum Assistance Program. The Mobile Exhibits Program is proposed for immediate termination and an alternative is suggested on the possible cancellation of one or two more components of the Museums Assistance Program.

Finally, the study team believes the new buildings for the National Gallery and National Museum of Man should be opened in a phased manner. The NMC should shift existing resources internally in order to self-finance as much as possible, if not all, of the fit-up costs of the new buildings, including expensive exhibition construction and preparation. The new buildings should also be the object of an aggressive marketing campaign at the national level.

ARCHIVAL OPERATIONS (PUBLIC ARCHIVES OF CANADA)

Resources in 1985/86: 415 person-years and $251 million (including an estimated allocation for administration).

The study team has focussed its review on the activities that the Public Archives of Canada (PAC) performs as a custodian of historical records. The PAC also acts as records manager for the federal government, but this function was judged to lie outside the team's mandate. Administrative and technical support to the operational programs of the National Library are provided by the Public Archives and expenditures are included in the above totals.

The study team has no major reservations about the mandate and general operations of the Public Archives. The study team welcomes the government's decision to modernize the Public Archives Act but is concerned that new provisions not encourage PAC to undertake outreach activities which are overly ambitious, require additional resources or may raise expectations unduly.

PAC should adopt a comprehensive acquisition policy and consult systematically with other archival institutions in Canada before acquiring private collections. PAC should acquire copies rather than original documents, leaving original documents of specific regional or local interest in their place of origin, unless they have, in themselves, a particular national significance. PAC should also develop a comprehensive conservation policy.

The study team proposes that a long-term accommodation plan be prepared on future archival accommodation needs (warehousing and conservation) in the context of the government's records management requirements.

Finally, the study team has found an overlap in the custody of certain collections between PAC and the National Library. In order to rationalize the situation, all materials in the Public Archives Library that are not strictly related to archival science and conservation should be transferred to the National Library, while all original historical records and manuscripts now with the National Library be transferred to PAC. In the same vein, the custody of Laurier House should become the responsibility of Parks Canada.

NATIONAL LIBRARY

Resources in 1985/86: 549 person-years and $32.9 million (not including 68 person-years and $4.4 million in general administration provided by the Public Archives to the National Library).

The study team found that the National Library should not attempt to become the major reference library in Canada. It should continue to reinforce its role as the librarians' library and remain the depository of all Canadian published materials as provided for under the Book Depository Regulations. The present regulations' $50 ceiling should be eliminated so that publishers will be required to deposit two copies in every case. Exceptions to this rule could be made in the case of expensive limited editions.

The various special collections which the library has gathered over the years are not required for the National Library to satisfy its mandate. These collections should be deposited with other Canadian libraries or institutions with mandates related to the subject of these collections.

The National Library has agreed with major Canadian libraries that it will focus on the collection of serial publications, in order to allow other institutions to devote their acquisition budgets to other areas. The study team agrees that this is a cost-effective way to ensure availability of such material to the Canadian library community. Further review and consultation with the Canadian Library Association is necessary to harmonize and streamline the collections policies of all institutions in the most cost-effective manner.

The National Library has provided leadership in the implementation of modern library technology, which the study team finds appropriate. However, in order to ensure that these innovations respond to the needs of the community in the most economically viable manner, the library's client groups should assume some financial responsibility for the development as well as operating costs of the systems developed.

NATIONAL HISTORIC PARKS AND SITES (PARKS CANADA)

Resources in 1985/86: 1,164 person-years and $64.4 million, including 12 per cent in administrative overhead for both dollar and person-year resources.

The study team reviewed the reports prepared by the Study Team on Real Property and the Environment and agrees with their conclusions. In particular, the study team suggests that the privatization of certain services should be accelerated, as this is expected to result in more efficient management.

No further parks should be acquired until the policy review on the acquisition of future parks is completed. This review should take into account the appropriate maintenance requirements and use of existing parks and historical sites, the protection of future sites not yet in the system and complementarity with provincial tourism and recreational activity.

The study team is concerned with the duplication of facilities and expertise between Parks Canada and the National Museums of Canada in the area of conservation and inventory control. Each institution has a conservation laboratory and research facilities, which should be combined and administered by the National Museums of Canada. Parks Canada has not opted to make use of an existing computerized control system at NMC and has contracted with a third, and outside party instead. This situation should be reversed.

The study team feels that the National Battlefields Commission should be dissolved and responsibility for its administration assumed by Parks Canada.

NATIONAL POSTAL MUSEUM (CANADA POST) AND NATIONAL CURRENCY MUSEUM (BANK OF CANADA)

Resources in 1985/86: $1.5 million and 31 non-controlled person-years.

These two corporate museums have custody of important national collections and, in the study team's view, it would be more appropriate for them to become components of the National Museum of Man and be located in the new building.

OTHER PROGRAMS

Other programs included in this sector include the Insurance Program for Travelling Exhibitions and the Moveable Cultural Property Secretariat administered by the Department of Communications and the Historical Division of the Department of External Affairs. Expenditures for these programs in 1985/86 total $5.3 million and 17 person-years.

85/86 EXPENDITURE SUMMARY

	($ million)	PYs
National Museums of Canada	74.9	1,043
Public Archives	25.1	415
Historic Parks and Sites (including National Battlefields Commission)	64.4	1,164
National Library	32.9	549
Insurance for Travelling Exhibitions	2.4	1
Moveable Cultural Property Secretariat	2.4	4
External Affairs Historical Division	0.5	12
National Postal Museum	1.1	17*
Bank of Canada Currency Museum	.4	14*
TOTAL	204.1	3,188 31*

* non-controlled

NATIONAL MUSEUMS OF CANADA

OBJECTIVE

To demonstrate, and to assist others to demonstrate, the products of nature and culture, with particular but not exclusive reference to Canada, so as to increase interest in and to disseminate knowledge of Canada's natural and cultural legacy for the enrichment of present and future generations.

AUTHORITY

The National Museums Act (1968).
The National Museum Policy (1972).

DESCRIPTION

Historical Background

In 1968, the federal government created NMC to incorporate in a single administration the four existing museums: the National Gallery of Canada (NGC), the National Museum of Man (NMM), the National Museum of Natural Sciences (NMNS) and the National Museum of Science and Technology (NMST). NMC is a departmental crown corporation reporting to Parliament through the Minister of Communications.

At the heart of the 1972 National Museum Policy were two main concepts: "democratization" (increasing access to the products of cultural activity for all taxpayers, not only for a select group) and "decentralization" (in the context of vast distances, making cultural symbols available to all Canadians, no matter where they live).

To implement the new policy the government mandated NMC to establish the National Programs providing financial and museological assistance and advice to the national museums, similar Canadian and international institutions and to Canadian communities.

Organizational Structure

NMC is headed by a Board of Trustees which defines NMC's objectives, priorities and policies and ensures their proper implementation. The board is composed of a chairman, a vice-chairman, and 12 other members, two of whom are ex officio - the Director of the Canada Council and the President of the National Research Council. The chairman of the board, trustees, secretary-general/vice chairman and museum directors are Governor in Council appointees. The chairman and vice-chairman are appointed for terms of not more than five years, while other members' terms are not more than four years. The Secretary-General of the Corporation, who has the delegated authority of a deputy head, directs and manages the business of the corporation on behalf of the board.

The five National Programs (the Museum Assistance Program (MAP), which itself has eight sub-programs, Mobile Exhibits, the Canadian Conservation Institute (CCI), the Canadian Heritage Information Network (CHIN) and the International Program) have a primary orientation outside the National Capital Region. They provide museological and financial assistance to public museums and galleries across Canada which are not federally owned.

Corporate Services provides professional, managerial, technical and administrative services, systems, controls and advice to the entire NMC.

Sometimes incorrectly identified with the NMC, the Canadian Museums Construction Corporation (CMCC) is a crown corporation established by government in 1982 to build the new National Gallery and National Museum of Man. It is in the process of being dissolved, with primary responsibility for completion of construction now given to the Department of Public Works.

EXPENDITURES ($ million)

	Four National Museums		**National Programs**		**Corporate Services**		**Corporate Management**		**Total**	
	PYs	**$**	**PYs**	**$**	**PYs**	**$**	**PYs**	**$**	**PYs**	**$**
1979/80	444	18.8	171	16.0	391	11.3	-	-	1006	46.1
1980/81	452	19.7	191	20.1	363	12.7	-	-	1006	52.5
1981/82	458	22.9	154	18.3	363	14.9	-	-	975	56.1
1982/83	480	26.1	160	19.9	360	15.8	-	-	1000	61.8
1983/84	504	28.3	170	20.8	332	17.1	-	-	1006	66.2
1984/85	537	32.3	165	21.0	285	14.8	14	1.4	1001	69.5
1985/86	556	35.1	170	21.8	302	16.4	15	1.6	1043	74.9
1986/87	569	34.9	166	21.6	288	15.8	50**	2.8	1073	75.1
1987/88	567	34.8	166	21.6	287	15.8	45**	2.6	1065	74.8
1988/89	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Corporate management expenses not accounted for separately, before 1984/85

** Additional person-years not yet allocated to components

EXPENDITURES - NEW BUILDINGS (see Annex I for full description)

A range of choices to address significant construction cost overruns and moving/occupancy costs for the new National Gallery and National Museum of Man is under review, including such options as reduced public programming and deferral of elements of construction or interior space completion.

THE FOUR NATIONAL MUSEUMS

Resources (see Annex II for details)

In 1985/1986, the resources directly under the control of the four national museums will amount to 568 person-years and $35.5 million, which represent 54 per cent of all person-years and 47 per cent of the total budget of NMC. When corporate services devoted to the museums are added (approximately 90 per cent of corporate services), the four museums account for 79 per cent of all person-years and 67 per cent of the total budget of NMC.

National Gallery of Canada

Collections and Research

With an acquisitions policy based on links between Canadian art and art from other countries, between contemporary and historical art, and among the various media, the NGC aims both to develop an historical record of Canada's national visual arts heritage and to situate that national heritage within an international cultural tradition. Curatorial research documents the condition and historical origins of the collection and demonstrates how art has been used to give form to creative forces within society. Display of the collections, special exhibitions, publications and a variety of audio-visual media communicate such research.

The Canadian Museum of Contemporary Photography is a curatorially separate component of the NGC.

Beneficiaries

The general public, other museums and heritage institutions, artists, collectors, scholars and students.

National Museum of Man (NMM)

Collections and Research

Artifacts, specimens and other historical objects are acquired in the fields of ethnology, archaeology, physical anthropology, folk culture and military history. Archaeological artifacts are also collected from museum-sponsored excavations. In addition, the museum is the federal repository for all artifacts recovered from digs in the Yukon and Northwest Territories. Collections are inventoried and basic information recorded. As a result of research and study by curatorial staff, information related to the collections is used in publications, in response to inquiries from the scientific community and the general public and in the development of exhibitions and programs.

NMM offers permanent exhibitions, a special program of films, lectures, concerts and demonstrations, travelling exhibitions, as well as educational programs and publications.

The Canadian War Museum is a curatorially separate component of NMM.

Beneficiaries

The general public, other museums and heritage institutions, government departments and agencies, scholars and students.

National Museum of Natural Sciences (NMNS)

Collections and Research

The museum concentrates on the biological and geological sciences, develops collections and conducts research in the broad fields of botany, zoology, paleontology, earth sciences and, in cooperation with the National Museum of Science and Technology, astronomy. This museum also provides such services as identifying, describing and establishing species of plants, animals and minerals, in accordance with international conventions on biological, zoological and mineralogical nomenclature.

The museum offers permanent, temporary and travelling exhibitions; a resource/information centre; educational programs; special events; popular and scientific publications; and radio, television and film productions.

Beneficiaries

The general public; professional and scientific community (application of the taxonomic standard for the identification and verification of plant, animal and mineral species through time and place in Canada); other museums; government departments and agencies.

National Museum of Science and Technology (NMST)

Collections and Research

The museum focusses on artifacts and related data in twenty-one major subject areas: pure sciences (mathematics, physics and chemistry); astronomy; meteorology; forestry; fishing; transportation; communications; agriculture; extractive industries; energy; industrial technology; marine technology; fire fighting technology; medical technology; photography; and aviation and space. Curatorial staff prepare basic descriptions of the objects and undertake research for exhibitions and for popular and educational publications.

The museum offers permanent exhibitions; a few travelling exhibitions; educational activities and publications; and public demonstrations.

The National Aviation Museum is a curatorially separate component of the NMST.

Beneficiaries

The general public; other museums; scholars and students.

THE NATIONAL PROGRAMS

Resources

Resources in 1985/86 to undertake the National Programs and related activities are: $21.8 million and 169.5 person-years (see Annex III for details).

Museum Assistance Programs

Description

The Museum Assistance Programs, providing grants to non-profit museums, art galleries and similar organizations for work in the areas of collections development and accessibility and professional and technical advice, has eight components:

a. Associate Museums Program: annual grants to 21 designated associate museums, for their public programming aimed at regional audiences, with a view to creating and sustaining a network of museums across the country. (The four national museums in Ottawa may not receive grants.)

b. National Exhibition Centres Programme: annual grants to 23 designated exhibition centres, located in small, and in some cases, isolated communities administered by either voluntary organizations, a municipality or a province. The centres, established by the federal government between 1972 and 1976, initially received capital funding; since 1976 they receive operating grants only.

c. Registration Assistance Program: grants to assist in documenting collections and entering standardized data into the Canadian Heritage Information Network.

d. Conservation Assistance Program: grants to assist museums and galleries to establish their own conservation services with eligible expenses including partial remuneration of conservators and cost of training.

e. Upgrading and Equipment Assistance Programs: grants to enhance the physical setting up of collections and exhibitions.

f. Exhibitions Assistance Program: grants to assist in preparing exhibitions, mostly temporary or travelling. Exhibitions of contemporary art are not eligible, but may receive assistance from the Canada Council.

g. Special Activities Assistance Program: grants in support of innovative or experimental projects, especially in the areas of public programming and museum management.

h. Training Assistance Program: grants in support of seminars and training sessions, as well as research projects in museology.

Beneficiaries

The Canadian museum community; the general public; the provinces (whose views are considered in the administration of the grants programs).

Canadian Conservation Institute

Description

The Canadian Conservation Institute (CCI) provides publicly owned museums and art galleries with conservation services, advice and training. It also carries out applied research and is one of Canada's representatives abroad in conservation matters. All CCI services are offered free of charge, but requests for assistance are reviewed by experts both at the federal and provincial levels.

Mobile Exhibits Program

Description

The basic goal of the program is to provide Canadians with a museological experience through exposure to national collections, housed in three regionally-based Museumobiles.

Museumobiles in the north, west and Atlantic regions travel to smaller communities that lack ready access to major museums. Their exhibits of artifacts and other illustrative materials depict the geographical, archaeological, natural and social history of various regions of the country.

Beneficiaries

The general public, especially in areas without heritage facilities, school boards.

Canadian Heritage Information Network

Description

The Canadian Heritage Information Network (CHIN) develops and operates a computer-based information management system containing 1.6 million records. It is currently available to 150 participating museums and art galleries in Canada, including the four national museums. Through this service, individual institutions may better manage their own collections and have access to the records of other institutions, thus facilitating research, collections development and public programming.

Beneficiaries

The Canadian museum community, and the Canadian and international research communities.

International Program

Description

Through contracts and agreements negotiated by the International Program (IP), the Canadian museum community is provided access to foreign travelling exhibitions as well as the opportunity to promote Canadian collections by sending exhibits abroad.

The program is not a grant program. Its services are free of charge. Its main activity is the production of a quarterly inventory of travelling exhibitions available in Canada, currently and in the future. It collaborates with foreign agencies and the Department of External Affairs in identifying Canadian exhibitions which may be of interest to foreign countries.

Beneficiaries

Canadian museums; the general public; the Department of External Affairs (enhancement of cultural exchanges).

CORPORATE SERVICES

Publishing Services Directorate

Description

Decentralized publishing by the four museum components ceased in 1978 but a major subsequent attempt at centralizing this function failed due to a lack of clear objectives and management problems. The publishing function was decentralized anew in 1981. An in-depth study, conducted by outside experts, found that if the publishing-dissemination function was to continue to be a top priority of NMC, it ought to receive increased attention.

A new mode of operations and a new set of objectives were adopted, starting in 1984/85. Essentially, the publishing function is now managed in a businesslike fashion, with a proper balance maintained between the scientific interest of proposed publications and their marketability. Priority is given to works judged to have the highest chance of marketing success. Museum components may still use revenues generated by their respective boutiques to fund rejected proposals which they nevertheless consider to be of importance.

The four museum components are responsible for content, production and selection of titles, while the Publishing Directorate has control over the monitoring, distribution and marketing. The directorate has recently hired a marketing expert and is proceeding with an in-depth review of its marketing strategy, from selection of titles to relationships with publishers. The potential of international markets is also being examined.

Resources

In 1985/1986, the resources directly available to the directorate are seven person-years ($0.3 million) and $0.3 million for publishing expenses. An additional 13 person-years and $0.5 million are available within various components of NMC.

Beneficiaries

The general public; the scientific community in Canada and abroad; and components of the NMC.

OBSERVATIONS

Corporate Management

One can identify three main periods in the organization's history. Prior to NMC's establishment in 1968, the component museums were separate entities, which did not share a common purpose and had individual administrative structures.

In the second period, from 1968 to 1983, the corporation had major organizational tasks. It implemented the national programs and identified and established those services that would be common to all components. NMC also tried to develop a new "esprit de corps" and sense of a common mission. These efforts were not universally successful if only because over the years, the component museums had evolved their own organizational cultures and resisted major changes. For its part, the NMC board and senior management did not exercise to its full extent the authority they possessed. A number of other factors also came into play, e.g., the museum directors continued to be Order-in-Council appointments, reporting directly to the Board of Trustees, rather than to the Chief Executive Officer.

The third period began in 1983, when by-laws were amended so that museum directors, although still Order-in-Council appointees, reported directly to the Chief Executive Officer who, for the first time, became a member of the board and served as its vice-chairman. The senior management also changed to include people more willing to work as team members and place corporate objectives before those of their particular area of responsibility. In addition, the corporation has recently adopted a corporate strategy and medium-term plan and, generally, has improved its planning activities. Nevertheless, the internal evaluation function remains weak, thus hampering the effectiveness of the organization in monitoring performance in its various sectors of activities.

Level of Resources

From 1975/1976 to 1983/1984, NMC has received a total budgetary increase of 59.8 per cent, which is less than the inflation rate for that period (101.2 per cent). In comparison, other major cultural and heritage agencies have received the following increases: 130.5 per cent for Parks Canada, 164.1 per cent for the National Film Board, 182.2 per cent for the Public Archives (due in large part to increased responsibilities), and 229.4 per cent for the National Library (due to the development of improved services).

The total grants budget of the national programs will be $8.6 million in 1985/86, which is approximately the same level as in 1975/1976. The purchasing value of grants has therefore seriously eroded, especially for major recipients such as associate museums and regional exhibition centres.

Allocation of Resources Within the Four National Museums (see Annex IV for details)

If one adds the resources that the four national museums control directly (50 per cent of person-years and 50 per cent of funds) to those corporate services earmarked for the four museums (estimated at 90 per cent of all corporate services), it can be observed that the proportion of their resources devoted by the four museums to public programming is roughly equal to 25 per cent; another 50 per cent of resources is used for curatorial activities (collecting, recording, conservation and research), and the remaining 25 per cent for managerial functions. These data strongly suggest that NMC and its four component museums function first and foremost as a repository of collections of natural and man-made objects, which are quite extensively preserved and researched. In contrast, activities aimed at making those collections accessible to the general public are given a lower priority.

A recent comparison of the National Gallery and National Museum of Man with eight other large Canadian museums and art galleries points in the same direction. This study, completed in September 1984, concluded that the two components of NMC were more expensive to operate and produced far less public programming activities per unit of expenditure (see Annex V). The study went on to suggest that further in-depth analysis and comparisons would be needed to determine whether these striking findings were due to some lack of operational efficiency and effectiveness or to the particular mandate of NMC components as research-oriented institutions fulfilling unique national functions. Nevertheless, it does seem clear that public programming is far less prominent in these NMC museums than in other Canadian museums of similar size.

Revenue Generation

None of the four national museums has an admission fee, either to permanent exhibits or to special events. There is no charge for guided tours, lectures or other educational activities. Parking is free and boutiques, taken together, do not attain a break-even point. The services of the Canadian Conservation Institute, the Canadian Heritage Information Network, the Museumobiles and the International Program are provided free of charge. The corporation has rarely engaged in fund-raising, either from the general public or the business community, although the museums have from time to time attracted corporate sponsorship of exhibitions. It might be noted here that the Canadian Museums Construction Corporation's attempts to launch a fund-raising campaign have been resisted in the past. There has been no sustained, intensive attempt to obtain sponsorships from the private sector.

NMC's early 1985 review of potential revenue-generating activities indicates that charging a modest admission fee ($2 for adults, $1 for others, free for small children and groups of students) could produce up to $0.8 million (1984) annually, if attendance remained at approximately 900,000 per year. However, it is likely that such fees would lead attendance to decline at existing museum buildings, especially among potential repeat visitors. A projection made for the first year of operation of the new buildings (1988), which assumes more than a doubling of attendance at 2.1 million visitors, shows a potential net revenue of $1.6 million (1984); this would represent 2 per cent of the projected operating budget of all museums in 1988.

ASSESSMENT

The Contemporary Museum Environment

In one form or another, the four national museums have existed for more than 100 years, with the exception of the National Museum of Science and Technology, founded in 1966. Their evolution, as with most museums, was guided more by the collections they inherited accidentally or acquired because of the particular professional interest of a series of curators and directors, than by any narrowly defined purpose. They also came to provide valuable scientific and scholarly functions that the few universities that existed prior to the 1960s did not have the means or the inclination to serve. Moreover, until the 1970s, they were by far the largest museums in Canada as measured by the comparative size of their collections and scientific expertise of their staff, and easily dominated the large existing non-federal museums, with the notable exception of the Royal Ontario Museum.

In the past two decades, the context in which the four national museums operate has changed radically. The university system has grown considerably and is now carrying advanced research and scholarship in all areas of interest to the four national museums, from art history to new world archeology. Furthermore, numerous museums and galleries, large and small, now exist in virtually all regions of the country; they collect actively in their chosen area of specialty and possess good to excellent museological expertise. Finally, social and cultural evolution generally, and a new generation of professionally trained museologists in particular, have brought about a marked change in the basic understanding of the role of museums, shifting the focus to public programming and general education, and away from generalized scholarly research and the curating of seldom seen artifacts.

The National Museums of Canada Corporation

Since 1968, the NMC has had its utility and effectiveness variously attacked, questioned and defended. For its part, the study team is of the view that the general model that inspired the creation of the corporation (i.e. a complex of museums covering the major areas of the Canadian natural and cultural heritage) continues to have merit. Indeed, the Smithsonian Institution, which is the national museum of the United States, has followed this model since its creation in 1846, and is today one of the leading museums in the world. Furthermore, in its examination of the general performance of the NMC since its inception, the study team has not found deficiencies of such a nature as to call into question the existence of the corporation or its general structure.

However, in its first 15 years of existence, the corporation suffered from a serious defect in its decision-making apparatus. As a result, authority lines were weakened, making it easier for the strong organizational cultures of the component museums to resist any infringement on their traditional independence. On the other hand, senior management and the Board itself did not fully exercise the leadership and authority that the existing administrative arrangement could have permitted. Certain changes have been made in 1983 in the reporting relationships between the Secretary-General and the directors of museums. Nevertheless, it is the view of the study team that additional improvements should be made to the structure of the reporting relationships among senior managers, and between the board and senior management, that would further facilitate the decision-making process at the higher level of the corporation and make the authority line direct and strong and the accountability system very clear. First, the directors of the four National Museums should no longer be Order-in-Council appointments. This means that museum directors would be appointed like any other employee of the corporation, and would have the same status as other members of senior management reporting to the Secretary-General. This change would require an amendment to the National Museums Act. Second, the Secretary-General should not be a member of the board, but report to the board as the chief executive officer of the organization.

In considering possible structural improvements to the corporation generally, the study team has concluded that a return to the earlier status quo, where the four national museums would gain their independence, would indeed deprive the government of substantial economies of scale realized in the provision of common services, particularly in the areas of security, library and personnel. In addition, a specialized central service is better apt to assure an effective contact with central agencies than would individual museums, whose staff of professionals generally have more expertise in curatorial, scientific or public programming matters than in general administration.

One alternative could be the creation of a departmental branch in the Department of Communications to replace the corporation while providing common services. Some marginal economies of scale could perhaps be realized as a result of the integration of personnel and administrative services of the corporation into those of the department. On the other hand, NMC components and the corporation are presently under considerable pressure because of the additional workload relating to the preparation for occupancy of the new buildings. The elimination of the corporation would require the dismantling of the Board of Trustees, and some members of the cultural community might perceive such a government decision as an attack on the 'arm's-length' principle. On balance, the study team believes that a change of this nature is neither necessary nor timely. The study team recognizes, however, that as a result of its suggested policy review of the objectives of the four national museums and of the strategic orientation of the national programs, adjustments may be required to the structure or mode of operation of the corporation.

The Four National Museums

The National Museums Act of 1968 created a new administrative superstructure for the four national museums but failed to provide them with a clear mission and detailed objectives. The National Museum Policy of 1972 stressed democratization as a concept but fell short of defining a specific role for the four national museums in this respect and their proper place in the national network of museums. Recent attempts by NMC to elaborate a corporate strategy are encouraging but continue to define the mission of the four national museums in overly broad terms, simply indicating that museums should collect and communicate. The balance between public programming and curatorial and research activities remains heavily skewed in favour of the latter, and the four national museums have not succeeded in acquiring a high national profile with the general public.

The situation calls for energetic action leading to change. The government should recognize as a high priority the need to address the question of the mission and specific objectives of the four national museums, in consultation with both the NMC and representative experts from across the country.

To this effect it is suggested that a review be undertaken which would lead to a new definition of the mission of the four national museums within available resources. This definition would include the precise objectives specific to each of them and the national museums' appropriate position in the system of Canadian museums and educational institutions. This review should pay particular attention to defining the proper balance between public programming and curatorial research. It should also identify those areas where the four national museums should strive toward the goal of national leadership and propose means to help raise their profile with the general public.

This re-examination of the mission of the four national museums is urgent and the ensuing government decisions should be implemented well before the opening of the new buildings. This will be an event of enormous positive potential, and the occupancy of the new facilities should be undertaken with the benefit of a clear, coherent and updated set of institutional objectives. For this to be possible, the study team suggests this review begin without delay.

Management of Collections

A distinct, yet related issue, is that of the management of the collections. Over the past century, collections have grown substantially but without clear limits or guidance of a specific set of museological objectives. They now represent a heavy burden in terms of basic identification, researching, storing and preserving. In 1981, a general collections policy was first formulated. It is very broad and sweeping and tends to treat all present holdings as if they were of equal value in terms of both the particular mission of each museum and the place in the national heritage of particular artifacts or collections. As a result, it does not lead as much as it should to a focussed acquisition policy nor does it constitute an adequate tool for the best utilization of the limited resources for background research, storage space and conservation.

The study team proposes that a more detailed and explicit collections management policy for each of the component museums be developed. The assistance of experts from other Canadian museums should be enlisted. The resulting policy would: 1) identify those elements of the holdings which are of such value as to constitute the core collection or the 'national treasure', and as such, become the principal focus of available resources; 2) define other categories of holdings in terms of their relationship to the objectives of each museum; 3) identify gaps and duplication; 4) focus acquisition policies on the enrichment of the core collection; and 5) establish a hierarchy of conservation and storage levels as a function of the value and usage of holdings. Where such a regime is already in place, its application is applauded.

The collections management policy should also allow the identification of holdings that are not fundamental to the objectives of the museums or are of a lesser quality. Subsequently, the four National Museums should commit themselves to devolving holdings not relevant to their mission through donations, long-term loans, trades or sales to appropriate public museums and galleries across Canada. Such donations or loans would relieve their burden in a modest way and might well enrich the collections of local and regional institutions and contribute to raising their national profile.

Public Programming and Marketing

Although NMC has set for itself a dual mission to collect and communicate, the four national museums remain, by and large, institutions that are curator-driven, not public-driven. In any museum, there will always be a tension between these two poles. However, they should be encouraged to follow the general trend of the last 15 years and shift away from the traditional emphasis on collection and research for its own sake. Genuine efforts are being made at various levels in the organization which would be reinforced by an overall strategy. It is suggested that a comprehensive public programming and marketing strategy be developed, both in the National Capital Region and at the national level. Such a strategy should touch on such issues as definition of messages, target audiences and appropriate media, development of new audiences, and development of a constituency through means such as a friends-of-the-museums scheme.

The National Programs

There is a strong consensus that, when they were established in the early 1970s, the national programs addressed real and pressing problems in an efficient manner. The millions of dollars that were injected into the Canadian network of museums produced spectacular results, especially in terms of the number of institutions and their level of professionalism. However, the situation has changed drastically. The demand now exceeds by far the capacity of the national programs' budget. As a result, the real purchasing value of each grant-unit diminishes constantly, while the selection procedures remain complicated and become more expensive in terms of the ratio of administrative costs to grant amounts. In addition, a number of museums have attained such a level of professionalism that they resent the detailed grant application requirements asked of them by NMC. Finally, at a more general level, many provincial governments have now developed funding programs and heritage policies of their own.

In the view of the study team, a policy review should be conducted to redefine and refocus the national programs, in light of shifting needs and declining resources. The objective to be pursued in this review could be to abandon the Museum Assistance Program entirely, on grounds that its impact has become too insignificant, and concentrate federal resources on the provision of services that are national by nature and would be uneconomical for individual provinces to set up. Examples of such services are the Canadian Heritage Information Network, the Canadian Conservation Institute and the International Program. This option could recover as much as $10 million. However, it would have the effect of terminating most travelling exhibitions from non-federal museums that currently cross regional boundaries. An alternative option could be to continue the granting program, but at a lower level, limiting it to long-term core funding or to the support of inter-regional travelling exhibitions. The study team believes this policy review should be conducted as soon as possible.

In any event, the Mobile Exhibits Program has served its purpose. Now that Canada has some 1,700 museums and galleries and most provinces have assumed at least some responsibility in the heritage field, the continuing operation of a small, mobile federal display facility can no longer be justified. In consequence, the study team proposes that the Mobile Exhibits Program ($3.2 million in 1985/86) should be terminated.

The New Museum Buildings

The moving and fit-up costs, as well as the additional ongoing operational costs, will undoubtedly place an enormous strain on funding for the museums. In addition, the experience of other large museums in Canada and abroad indicates that the creation and installation of vast new permanent exhibits cannot be fast-tracked. For both of these reasons, the study team suggests the exhibition space be opened in phases, over a period of up to 10 years. Moreover, a moratorium should be declared by the government for the same period on any additional capital investment in federally-owned museums, i.e. no new federal museum facilities should be considered until the new buildings now under construction are totally open and their operations running smoothly.

The construction of these new buildings represent a considerable financial burden on the Canadian public, and the National Gallery and the National Museum of Man should commit themselves to instituting and maintaining a high level of quality public programming in the new facilities. For this reason, the study team suggests that existing resources be used to this end and priorities re-ordered if necessary to free up staff or funds. If the 10-year period to bring exhibition space on line is adopted, as well as the option to terminate the Mobile Exhibits Program ($3.2 million) and reduce or abandon the grants program of the National Programs (up to $10 million), it should be possible to meet most costs of fit-up and exhibition construction without new funding.

In addition, the study team believes a vigorous marketing plan for the new buildings should be developed, principally aimed at the national audience, in order to raise the profile of the museums and establish their national stature firmly in the public's mind.

Revenue Generation

Many reasons militate in favour of introducing an array of revenue generation measures. The main ones include augmentation of resources, especially welcome at a time when new facilities will be straining the base budget of NMC; generally reducing the dependency on the public purse; and providing a powerful incentive for more efficient and more public-oriented management. There are drawbacks in that a temporary decline in attendance is likely. Nevertheless, the public now is generally far more responsive to the notion of pay-for-service than used to be the case. If fee schedules are not excessive, public opinion should adjust to the new practice, especially if the change is made to coincide with the opening of the new and obviously expensive buildings.

In the view of the study team, the following measures should be implemented:

a. Introduction of a reasonable admission fee in all museums, to coincide with the opening of the new buildings.

b. Privatization of the administration of boutiques, restaurants and parking, subject to feasibility studies as required.

c. Introduction of admission fees for special major exhibitions.

d. Pursuit of sponsorship from the private sector for public programming, educational projects and temporary and travelling exhibitions.

e. Development at the national level of a friends-of-the-museums scheme.

f. Exploration of other avenues, such as fees for qualified guides and cost recovery for services or products of CCI and CHIN.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

The National Museums of Canada Corporation

1. Directors of National Museums no longer be appointed by Order-in-Council; and that the Secretary-General not be a member of the Board, but report to it as chief executive officer.

2. Draft the required amendments to the National Museums Act in accordance with the priorities of the Cabinet Committee on Legislation and House Planning.

The Four National Museums

3. Undertake a review which would:

    a. Lead to a new definition of the mission of the four National Museums within available resources, of the precise objectives specific to each of them and of their appropriate position in the system of Canadian museums and educational institutions.

b. Pay particular attention to defining the proper balance between public programming and curatorial research.

c. Identify those areas where the four National Museums should strive toward the goal of national leadership.

d. Propose means to help raise their profile among the general public.

4. Develop a more detailed and explicit collections management policy for each of the component museums.

5. The four national museums commit themselves to devolving holdings not relevant to their mission through donations, long-term loans, trades or sales to appropriate public museums and galleries across Canada.

6. Develop a comprehensive public programming and marketing strategy both in the National Capital Region and at the national level.

The National Programs

7. Complete a policy review by January, 1986 with a view to refocussing the national programs on the provision of services that are national by nature and would be uneconomical for individual provinces to set up, and possibly, to terminate the Museum Assistance Programs.

8. Terminate the Mobile Exhibits Program.

The New Museums Buildings

9. Exhibition space be opened in phases over a period of up to 10 years.

10. A moratorium be declared for the same period of 10 years on any additional capital investment in federally-owned museums.

11. The National Gallery and the National Museum of Man commit themselves to instituting and maintaining a high level of quality public

programming in the new facilities from the first day of opening, and that existing resources be used to this end and priorities be accordingly re-ordered, if necessary, to free up staff or funds.

12. Develop an aggressive marketing plan for the new buildings, principally aimed at the national audience.

Revenue Generation

13. The following measures be implemented:

    a. Introduction of a reasonable admission fee in all museums, to coincide with the opening of the new buildings.

    b. Privatization of the administration of boutiques, restaurants and parking, subject to feasibility studies as required.

    c. Introduction of admission fees for special major exhibitions.

    d. Pursuit of sponsorship from the private sector for public programming, educational projects and temporary and travelling exhibitions.

    e. Development at the national level of a friends-of-the-museums scheme.

    f. Exploration of other avenues, such as fees for qualified guides and cost recovery for services or products of the Canadian Conservation Institute and the Canadian Heritage Information Network.

ANNEX I

EXPENDITURES - NEW BUILDINGS

In 1982, the government decided to construct new buildings for the National Gallery and the National Museum of Man. A $186.6 million allocation, originally provided to the projects in line with estimates prepared by NMC in the late 1970s, which assured construction of a complete National Gallery and a National Museum of Man with curatorial and exhibition space, was soon increased to $192.3 million. The base budget, however, did not include resources to outfit the buildings with non-construction capital equipment, to prepare and move the collections, to develop exhibitions or to operate the larger facilities after occupancy. The Canadian Museums Construction Corporation (CMCC) allocated $80 million for each project, the remaining $32.3 million being earmarked for fees, the gallery's parking, the gift to acquire the Rideau chapel and the operating costs of the CMCC itself. In 1983, CMCC warned that the cost of the projects was already $5 million over the base budget.

The government had allowed five years to finish both projects, from selection of architects and sites to construction and the total process was "fast-tracked" (i.e. construction began before design was complete) with attendant higher risks of error, delays and conflict.

In February 1985, a task force convened by the Department of Communications, with Treasury Board, NMC and CMCC, determined that:

1. The National Gallery project had a total potential construction cost overrun of $21.4 million, half of which was due to the increased costs included in the base budget, and the rest to unforeseen expenses, mainly contingencies.

2. The National Museum of Man project had a total potential construction overrun of $14.7 million, of which a third was due to increased costs included in the base budget and the remaining two-thirds covered by "exclusions" - items not originally included in cost estimates because of lack of information.

3. Development and occupancy costs would vary as a function of the ultimate choice made on completion of construction, as the following tables illustrate.

TABLE 1

National Gallery
To opening in 1988/89
($ million)

	Enhancement		Present A-Base	
	$	PYs	$	PYs
Development	6.9	68	0	0
Moving	0.4	0	0.4	0
Fit-up	5.2	0	5.2	0
TOTAL NON-RECURRING	12.5	68	5.6	0
Ongoing operating (per year)	1.7	30	0	0

TABLE 2

National Museum of Man
To end of staged opening in 1992/93
($ million)

	Enhancement		Present A-Base	
	$	PYs	$	PYs
Development	27.8	11	0	0
Moving	3.0	0	3.0	0
Fit-up	12.2	0	12.2	0
TOTAL NON-RECURRING	43.0	11	15.2	0
Ongoing operations to 1990/91 (per year)	4.6	67	0	0

Finally, the task force identified an additional $10.2 million non-recurring costs until 1990/91 and $10.9 million per year additional and unforeseen operating costs arising from the demolition of exhibition space of the Canadian War Museum (for the construction of the National Gallery), the additional requirements of the National Museum of Natural Science following the relocation of NMM and the development and occupancy costs of the National Aviation Museum.

ANNEX II

National Museums of Canada Corporation Resources

	1979/1980		1981/1982		1983/1984		1985/1986	
NATIONAL MUSEUMS	PY	$M	PY	$M	PY	$M	PY	$M
National Gallery	133	6.1	132	7.1	139	8.3	153	9.6
Museum of Man	149	6.3	150	7.7	170	9.5	192	11.7
Museum of Natural Sciences	81	3.7	93	4.7	107	6.1	127	8.9
Museum of Science & Technology	81	2.7	83	3.4	88	4.6	96	5.3
Sub-Total	444	18.8	458	22.9	504	28.5	568	35.5
National Programs	171	16.0	154	18.3	170	20.8	170	21.8
Corporate Services	391	11.3	363	14.9	332	17.1	290	16.0
Corporate Management	-	-*	-	-*	-	-*	15	1.6
TOTAL	1,006	46.1	975	56.1	1,006	66.4	1,043	74.9

* Corporate management expenses not accounted for separately.

Source NMC/Financial Planning/July 1985.

ANNEX III

The National Programs
1985/86 Resources
($ million)

	Personnel	Other Operating	Capital	Grants	Total	PYs
Museum Assistance Program	0.8	0.4	-	8.9	10.1	23
Canadian Conservation Institute	2.8	1.4	0.2	0	4.4	64
Mobile Exhibits	1.4	1.7	-	0	3.2	31
Canadian Heritage Information Network	1.5	1.8	-	0	3.3	34
International Program	0.2	-	0	0	0.2	4
Coordination of National Programs	0.2	0.1	0	0	0.3	4
Office of the Assistant Secretary General for National Programs	0.3	-	0	0	0.4	9.5
TOTAL	7.1	5.4	0.4	8.9	21.8	169.5

Source NMC/Planning and Management Services, August, 1985

NB: Figures have been rounded and may not add up exactly.

ANNEX IV

NMC's Utilization of Resources by Type of Function, 1985/1986

	ALL MUSEUMS				NGC				NMM				NMNS				NMST			
FUNCTION	PYs	%	$M	%	PYs	%	$M	%	PYs	%	$M	%	PYs	%	$M	%	PYs	%	$M	%
Curatorial	290.6	49.8	20.3	56.1	65.5	42.6	5.0	51.5	104	50.9	6.8	56.2	64.5	50.3	5.3	59.6	56.6	58.0	3.2	59.3
Communicate	202.7	34.7	11.1	30.7	41.5	27.0	2.5	25.8	81	39.5	4.2	34.7	51.2	39.9	2.8	31.5	29.0	29.7	1.6	29.6
Manage	90.8	15.5	4.8	13.3	46.9	30.5	2.2	22.7	19.3	9.4	1.2	9.9	12.6	9.8	0.8	9.0	12.0	12.3	0.6	11.1
Total	584.1	100.0	36.2	100.0	153.9	100.0	9.7	100.0	204.3	100.0	12.1	100.0	128.3	100.0	8.9	100.0	97.6	100.0	5.4	100.0

	NATIONAL PROGRAMS				CORPORATE SERVICES				CORPORATE MANAGEMENT			
FUNCTION	PYs	%	$M	%	PYs	%	$M	%	PYs	%	$M	%
Curatorial	92.5	53.9	9.7	44.5	170	58.4	8.2	51.3	0	10.0	0	0
Communicate	65.6	38.2	11.5	52.8	6	2.1	0.8	5.0	0	0	0	0
Manage	13.5	7.9	0.7	3.2	115	39.5	7.1	44.4	14.9	100.0	1.6	100.0
Total	171.5	100.0	21.8	100.0	291	100.0	16.0	100.0	14.9	100.0	1.6	100.0

	TOTAL NMC			
FUNCTION	PYs	%	$M	%
Curatorial	553.1	52.1	38.2	50.5
Communicate	274.2	25.8	23.3	30.8
Manage	234.5	22.1	14.1	18.6
Total	1061.5	60.0	75.7	100.0

Source: NMC/Corporate Strategy and Medium Term Plan, June 1985.

NB: Figures have been rounded and may not add up exactly.

Comparison of NGC and NMM with Other Large Canadian Museums

Indicators	Average in Other Museums*	National Gallery		National Museum of Man	
		Value	Percentage Variance to Average	Value	Percentage Variance to Average
Operating Revenue per Employee (nil part-time)	$41,000	$51,790	+26.3	$67,012	+63.4
Staff per 1000/m^2 of Building Space	7	13.23	+89.0	14.81	+111.6
Staff per 1000/m^2 of Exhibition Space	22	42.12	+91.5	60.92	+176.9
Staff per $100,000 of Exhibitions Budget	24	92.08	+283.7	65.43	+172.6
Staff per 100,000 Attendance	43	74.92	+74.2	32.71	+23.9
Exhibitions Budget as a percentage of Operational Revenue	11.5%	2.12%	-81.7	2.46%	-78.6
Operating Revenue per M^2 of Building Space	$250	$679.05	+171.6	$918.59	+267.4
Operating Revenue per M^2 of Exhibitions Space	$825	$2,162.57	+162.1	$4,778.93	+358
Operating Revenue per Visitor	$16	$38.47	+140.4	$20.29	+26.8

Source NMC/"CBAC (Council for Business and the Arts in Canada), Survey and Museum norms", by F.S. Shelton, September 1984

* Other museums included are four public art galleries (Art Gallery of Ontario, Montreal Museum of Fine Arts, Vancouver Art Gallery and Winnipeg Art Gallery) and four public museums with natural sciences, historical and anthropological collections (Royal Ontario Museum, Glenbow Museum, Manitoba Museum of Man and Nature and Provincial Museum of Alberta).

ARCHIVAL OPERATIONS

PUBLIC ARCHIVES OF CANADA

OBJECTIVE

To acquire and preserve public and private archival records of national significance.

AUTHORITY

Historical archives functions, Public Archives Act (1912).

EXPENDITURES

Total for Public Archives ($ million)

	Historical Archives		Records Management		Other		Total	
	PYs	$	PYs	$	PYs	$	PYs	$
1980/81	272	10.6	195	5.2	277	9.2	744	25.0
1981/82	280	12.6	195	6.1	285	11.4	760	30.1
1982/83	288	14.0	214	7.5	295	12.8	797	34.3
1983/84	296	16.0	277	10.5	239	11.2	812	37.7
1984/85	305	16.4	282	11.5	237	12.2	824	40.1
1985/86	295	16.9	287	12.2	234	12.9	816	42.0
1986/87	-	-	-	-	-	-	N/A	41.5
1987/88	-	-	-	-	-	-	N/A	41.2
1988/89	-	-	-	-	-	-	N/A	41.2

* Includes administrative and technical support to the operational programs of the National Library.

BENEFICIARIES

The general public, scholars and students, genealogists, other archival institutions, researchers in various media, educators, government researchers.

DESCRIPTION

The Public Archives of Canada (PAC) is a branch of the Department of Communications and the Dominion Archivist reports directly to the Minister of Communications.

PAC carries out two main activities: a) acquisition, conservation and management of historical records, including a few outreach programs and b) management of federal government records. It also provides financial, administrative, personnel, exhibition and conservation services to the National Library of Canada.

With headquarters and the main centre of operations in the National Capital Region, PAC operates service and storage facilities in Halifax, Montréal, Toronto, Winnipeg, Edmonton and Vancouver for federal government departments and agencies. For national security reasons, PAC has an essential records site located outside the National Capital Region. Offices are also maintained in London and Paris to facilitate the acquisition there of archival records relating to Canada.

Historical Archives

On average in the recent past, close to 7,000 researchers (civil servants, scholars and students, genealogists and others) register per year, and make a total number of approximately 28,000 visits.

In the last year for which data are available (1983/1984) PAC spent $0.8 million for the acquisition of archival collections.

Holdings may not be taken out on loan; they must be consulted in the building where research rooms are provided for accredited researchers. Microfilm copies of documents can be borrowed on interlibrary loan and reproductions of material preserved in the Archives may be obtained for a small fee, based on incremental cost.

The Archives Branch is responsible for eight heritage programs:

> Historical Papers and Records (Manuscript Division) - 60 million documents and 23,000 reels of microfilm consisting of collections and individuals records, includes manuscripts and other papers of outstanding and distinguished persons; records of cultural, religious, political, scientific, fraternal, philantropic, recreational and business societies and corporate bodies; and copies of records obtained from the British Isles, France and other countries.

Historical and Genealogical Documentation (Public Archives Library)- a specialized reference service with more than 100,000 works on Canada and its history, including numerous pamphlets, periodicals and government publications.

National Map Collection (Division) - approximately one million cartographic and architectural items mainly relating to the European discovery and exploration of North America, the settlement of Canada, Canada's geography and other features, plans and drawings relating to Canada's built environment (the National Architectural Archives Program) and maps of foreign countries.

National Photography Collection (Division) - more than 8.5 million photographs from government and private sources dating from the late 1840s to the present, which offer a broad reflection of Canadian society and history and of the development of photography in Canada.

Pictorial Documentation (Picture Division) - some 100,000 works including documentary paintings, drawings and printed images of people, historical events, places and objects as well as the National Medal Collection seals, heraldic devices and costume documentation.

National Film, Television and Sound Archives (Division) - an extensive collection of Canadian private and public sector films and films of cultural or social value and the sound archives, containing over 60,000 hours of recorded and historically important speeches and interviews.

Federal Archives (Division) - approximately 36,000 metres of selected records of federal departments and agencies.

EDP Records (Machine Readable Archives Division) - approximately 1,500 data files of selected EDP records produced by the federal government and those of national significance created in the private sector.

In addition, the Archives Branch maintains small offices in London and Paris ($0.17 million and four person-years in 1985/86), for inventorying and scouting of material relevant to Canada, acquiring documents through purchase or donations and responding to research inquiries. In the view of PAC, these offices are important contributors to the development of collections pertaining to the early and colonial periods of Canadian history.

Outreach Programs:

PAC offers three programs to disseminate information among scholars and the general public about the holdings of the Historical Archives and the services offered.

Travelling exhibitions (Exhibitions and Fabrication Services) - in-house and travelling exhibitions (limited) based on mainly PAC material.

Laurier House - the former residence in Ottawa of Prime Ministers Sir Wilfrid Laurier and William Lyon Mackenzie King with a collection of their furniture and memorabilia, as well as a recreation of the study of the Right Honourable Lester B. Pearson.

Publications services - for publication of printed material on PAC holdings, services and activities, including The Archivist (bimonthly bulletin) and the General Guide Series.

Records Management

Federal Government Records Management
(Records Management Branch)

The Records Management Branch exercises a control function (on behalf of Treasury Board) by reviewing and coordinating all requests from government institutions for disposal of government records, and also by evaluating records management effectiveness. Since this branch offers services to other federal departments and agencies, it is not the object of this assessment.

Beneficiaries

Federal departments and agencies, veterans, former and present civil servants and military personnel, scholars.

OBSERVATIONS

The study team has focussed its review on the activities that PAC performs as a custodian of historical records. The resources devoted to these functions in 1985/86 are estimated at $25.1 million and 415 person-years (administrative expenses prorated). The PAC also acts as records manager for the federal government but this function was judged to lie outside the study team's mandate.

Level of Service

The Archives Branch perceives itself as an academic and cultural institution, not merely as a repository of historical documents. This view is shared by central agencies and by the academic public itself. Its services, in type and quality, are tailored to the specific needs of scholars.

The level of service to academic users is, by and large, left to the discretion of PAC curators and their professional staff. It is of extremely high quality. As a result, and as noted in a recent evaluation study (March 1985), PAC is vulnerable to unrealistic demands and high expectations. Academic users rely excessively on PAC staff, a tendency reinforced by the fact that the various collections are organized by physical medium (pictures, maps, etc.), without either detailed inventories or thematic finding aids.

Growth of Holdings

The bulk of PAC holdings are post-1920. Starting a decade ago, the acquisitions have been growing at an ever increasing rate, mostly as a result of growth in federal government operations; acquisitions of federal records in any given year represent some 90 per cent of all acquisitions. The projected rate of growth of federal archives suggests that PAC's total storage space may have to be increased by 50 per cent over the next 15 years. The problem of space is compounded by the fact that the National Capital Region offers few existing buildings as potential sites for warehousing archival material.

Of all federal records, an estimated 5 per cent are selected for preservation and transferred to Historical Archives; the remaining 95 per cent are destroyed either within a year of their creation or at the end of their active life cycle. This retention rate places Canada at the lower end of the spectrum among Western nations. At the other extreme, countries such as Luxembourg and Sweden preserve almost all government records. There does not exist a body of scientific knowledge or techniques, which could be used to determine the optimum rate of destruction.

Machine-Readable Records

In recent years, there has been a marked growth in the creation of machine-readable records (tapes, disks, diskettes), containing formidable masses of information and taking negligible space. While this trend may eventually address the problem of storage space, machine-readable records present their own new and challenging problems to PAC:

i) they must be fully documented by the original users to be accessible to others;
ii) they can be easily destroyed or altered, in full or in part, during their active life and before their historical significance can be assessed;
iii) they must be copied at regular intervals, to prevent irreparable deterioration; and
iv) their usage as an historical record must be monitored closely, to prevent tampering or destruction.

ASSESSMENT

PAC performs essential functions in records management and preservation of records of national significance. Archivists across Canada, as well as managers in federal departments and agencies, value its services and judge its overall performance to be extremely good. The study team concurs with these general observations and sees no need to make any radical changes to the present mandate or operations of PAC.

The study team welcomes the government's decision to draft revisions to archives legislation to clarify and reinforce the roles and responsibilities of the Dominion Archivist, allow PAC to deal more effectively with new forms of records and reaffirm PAC's leadership role in the Canadian archival community. While there is a continuing need for a national forum for the exchange of ideas and information in this field, the study team is concerned that the provisions of the proposed new legislation not extend unduly the role of PAC in outreach programs which are overly-ambitious or require significant and additional resources. In recent years, a number of provinces have increased their level of activities in this area without incentives or direct assistance from the federal government. The study team suggests that the introduction of a grants program or the provision of a comprehensive set of technical and professional services by PAC at this time would not only be expensive, but also create expectations that could not possibly be fulfilled, given the present restraint imperatives.

PAC is considering the development of an acquisition policy for records from private sources, which does not exist at present. Such a policy is essential for rational management, especially in light of PAC's endemic space and conservation problems. The study team urges PAC to move ahead and suggests that such a policy be comprehensive and very closely related to PAC's mandate. It should provide precise guidelines not only for acquiring new material, but also for devolving current holdings of marginalimportance or interest. Disposition of non-essential holdings should be done preferably through long-term loans or donations to interested provincial or local archives, thereby enriching their collections and allowing them to play a more prominent role in preserving the national heritage relevant to their location. In addition, the acquisition policy should provide for the realistic weighing of the significance of new acquisitions against their future costs in terms of space, cataloguing and conservation.

There is a legitimate concern among the archival community that PAC is acquiring collections of significant regional interest without adequate consultation with affected regions. The evaluation of the historical significance of a given collection and its most desirable location is, in many cases, open to debate. The study team believes that the Dominion Archivist should systematically consult with provincial colleagues before acquiring private collections which may be of specific interest or importance to provincial or local repositories. In this context, PAC should make it its policy to acquire copies of documents and leave originals with local institutions in their province or region of origin. Originals should be acquired only if they have, in themselves, a clear national significance. This approach, although comparatively more expensive in the short run, will lessen the burden of space and conservation in the long term.

A March 1985 evaluation study concluded that PAC also did not have an effective conservation strategy. The study team is of the view that PAC should develop an overall management framework for conservation, including aconservation policy, long-term conservation plans, annual operational plans and an appropriate management structure. This weakness is recognized by PAC, which is planning to correct the situation by 1987. The study team urges PAC to give a very high priority to this project and make every effort to meet or advance the suggested deadline.

Because of its self-view as an academic institution, PAC provides extremely high-quality services to scholars and students. By all accounts, PAC is one of the best institutions of its kind in the world. However, the absence of formal standards of service opens the door to even higher demands by users. The study team agrees with a recent evaluation study that standards of service should be developed and resources transferred over time from individualized assistance to preparation of inventories and user aids.

The study team concludes that the establishment of generalized user fees would be overly complicated and costly to operate, due to the diversity of PAC users and of the types of services they require. On the other hand, the current fees for specific services, such as photocopying, microfilming and reproduction of maps and photographs, are low by all standards and should be raised substantially. Higher fees would generate additional revenue and put a check on abusive use of some services without unduly reducing accessibility to the holdings of PAC. Moreover, more of the services of PAC could be offered for a fee. PAC should review the current fee structure for services and identify other services for which fees could be charged.

In two specific areas, the activities of PAC and the National Library overlap, resulting in some antagonism, duplication of effort and confusion for users, especially among the non-academic public.

In the case of historical papers and records, both PAC and the National Library have been collecting manuscripts and papers of Canadian authors and musicians for quite some time. While both institutions lay claim to such material, around the world, archives are the most frequent repository. The study team suggests a full transfer to PAC of all original manuscripts and papers now in the custody of the National Library.

Regarding the Public Archives' library, although two-thirds of its original holdings were transferred to the National Library in 1967, including its collection of ancient newspapers, the PAC Library still continues to have a function larger than that of a departmental library. The PAC Library should be down-sized, and all of its holdings not strictly related to archival science and conservation should be transferred to the National Library, with the amendment of its acquisition policy accordingly.

The rate of growth in PAC's space and conservation requirements is largely a function of the rate at which federal records are preserved, in compliance with legislative and administrative records management policy. Since this policy has long-term financial implications, the study team suggests that PAC, in consultation with the Treasury Board, prepare precise estimates of its future needs for facilities (warehousing and conservation) and develop a long-term accommodation plan in the context of the government's current and future records management requirements. This study would allow the government to consider potential long-term savings which would be realized from a reduction in records retention requirements, for example, against a loss in the corporate memory of government and in the completeness of the historical record.

The Laurier House is in the custody of PAC. However, it is an historical monument. The study team concludes that the custody of Laurier House should be transferred to Parks Canada (Historic Sites and Monuments). Because Laurier House is located in the National Capital Region, Parks Canada should collaborate closely with the National Capital Commission to develop an appropriate and effective marketing strategy for the site.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. Modernization of Legislation Governing the Public Archives Act

    The provisions of the proposed new legislation should not extend the role of PAC in overly ambitious or expensive outreach activities, such as a grants program or the provision of technical and professional services, on a scale which would raise expectations that cannot be fulfilled.

2. Laurier House

The custody of Laurier House be transferred fully to Parks Canada (National Historic Parks and Sites).

3. Acquisition Policy

- PAC develop a comprehensive acquisition policy closely related to its mandate, which would provide guidelines for both accession and devolution, and allow for the realistic weighing of the value of new acquisitions against their future maintenance cost.
- Consult systematically with provincial archivists before acquiring collections of specific provincial or local interest.
- In cases where a provincial or local repository consider documents to be essential to their collection, PAC limit its acquisition to copies rather than originals, unless original documents have in themselves a clear national significance.

4. Conservation Policy

Develop an overall framework and policy in the PAC for conservation activities by 1987 or earlier.

5. Level of Service

Establish standards of service for the PAC and over time transfer resources from individualized assistance to the preparation of inventories and users aids.

6. Revenue Generation

Review the PAC fee structure for services and identify where fees could be raised and those additional services for which fees could be charged without unduly reducing accessibility to the holdings.

7. Rationalization of Collections

All original manuscripts which are not published materials, and papers now in the custody of the National Library be fully transferred to PAC.

All of the PAC Library's holdings not strictly related to archival science and conservation be transferred to the National Library, and its acquisition policy and resource requirements adjusted accordingly.

8. Future Space and Conservation Requirements

Prepare precise estimates of the PAC's future needs for facilities (warehousing and conservation) and develop a long-term accommodation plan in the context of an assessment of the government's current and future records management requirements.

BUDGET ($ million)

	1980/1981		1981/1982		1982/1983		1983/1984		1984/1985		1985/1986	
	PYs	$	PYs	$	PYs	$	PYs	$	PYs	$	PYs	$
Administration (1)	148	6.2	154	7.5	163	9.0	239	12.8	237	13.9	234	14.8
Historical Archives	272	10.6	280	12.6	288	14.0	296	16.0	305	16.4	295	16.9
Records Management	195	5.2	195	6.1	214	7.5	277	10.5	282	11.5	287	12.2
Technical Services	74	2.4	76	2.9	77	3.4						
Central Microfilm Operations	55	2.4	55	2.4	55	2.0						
Sub-Total	744	26.8	760	31.5	797	36.0	812	39.3	824	41.8	816	43.9
Less: Credit To Vote	-	1.8	-	1.4	-	1.6	-	1.6	-	1.7	-	1.9
NET TOTAL (2)	744	25.0	760	30.1	797	34.3	812	37.7	824	40.1	816	42.0

1. As of 1983/1984, single line item regrouping of all departmental services
2. Figures have been rounded and all totals may not add up exactly.

NATIONAL LIBRARY OF CANADA

OBJECTIVE

To preserve and promote the literary heritage of the Canadian people and to facilitate the use of the library resources of the country by the people and the Government of Canada.

AUTHORITY

National Library Act (1968/69); Legal Book Deposit Regulations, 1969.

DESCRIPTION

The National Library was established in 1953 as a department of government. The National Librarian reports to the Minister of Communications. A National Library Advisory Board with representatives of federal agencies, outside agencies and at least five professional librarians, provides advice and assistance to the National Librarian in the organization and development of the library.

The National Library of Canada maintains a comprehensive collection of the nation's literature. It lists its collection to facilitate retrieval, availability, and use. It provides reference, information, and referral services to support similar services provided by other Canadian libraries, with special emphasis on Canadian-related subjects. The library also coordinates and participates in national and international bibliographic and interlibrary loan networks, thereby facilitating the use of the nation's total library resources.

EXPENDITURES ($ million)

	83/84	84/85	85/86	86/87	87/88
Expenditures	29.6	29.8	32.9	30.9	30.8
Revenue	.9	1.2	1.4	1.7	1.8
Person-years	543	526	549	512	.5

BENEFICIARIES

The nation's libraries, researchers, other federal government departments and the general public.

OBSERVATIONS

The National Library is not required to become the major reference library in Canada nor does it have the resources to do so. The library, therefore, has established certain areas in which it can and should specialize.

The rate of growth of the National Library's expenditures has significantly exceeded the inflation rate over the past ten years, rising from $8.9 million in 1975/76 to an estimated $32.8 million in 1985/86. This growth is partially explained by an increase in volume of work performed as can be seen by the key indicators shown in Annex I. As well, there has been an increase in the number and quality of services provided.

The Book Deposit Regulations require all Canadian publishers to deposit with the National Library two copies of all Canadian published materials valued at less than $50. Only one copy is required if the cost is over $50 which causes the library to purchase a second copy for circulation purposes.

The library publishes the Canadian Union Catalogue as the Canadian authoritative source of cataloguing information for all books in its possession. Prepared to international standards, the catalogue is used by Canadian libraries and international groups (such as the Library of Congress in the U.S.) as the authoritative means of describing Canadian publications for library purposes. Most countries provide this information, and this function is essential if publications are to be available in an organized way on a national and international scale. As well, the library provides from time to time other reference publications to assist the library community. These publications are also used by the private sector library utility groups to develop specialized library services such as computerized cataloguing which can be sold to the library community.

The library also provides cataloguing services for publishers to ensure a standard catalogue number is included when a book is published. This service is provided under contract by agency libraries in the community.

Additional services include a clearing centre to redistribute published items no longer required (the Book Redistribution Service). Approximately 1.5 million items are handled per year in this operation. Shipping to the distribution site is paid by the sending group and shipping out is paid by the receiving group. There are approximately 11 persons in the National Library required to coordinate receiving, shipping and administration for the program. None of these costs are charged to the beneficiaries.

The library's Public Service Division is the interface point for the coordination of interlibrary loans (700 requests per day). These services are provided at the highest standard of service.

The library is currently re-evaluating its collection policy in conjunction with client groups. One thrust will be to focus on the collection of serial publications (which includes journals or other publications regularly released to form part of a series.) This should result in significant savings to the library reference community.

There are a number of special collections in the National Library. These include the Vanier Collection on the Family, the Lowy Collection, Children's Studies, Native Studies, Music and others. It is recognized that some of these have been imposed on the library by bequests and other means, while others have been actively cultivated and developed.

The Multilingual Biblioservice, which makes available a variety of books in 27 different languages, is provided by the National Library. The inventory of about 300,000 books is sent to deposit centres in each province from which they are circulated to the various public libraries in the province.

The library has taken a leadership role in all aspects of library technology including a significant Network Pilot Project initiated in 1981 to test the feasibility of providing access to various library data bases through modern telecommunications technology. This trial has resulted in the following additional requirement for resources.

Year	**Person-years**	**Expenditures ($million)**
81/82	3	-
82/83	11	$1.1
83/84	10	$1.0
84/85	12	$1.2
85/86	18	$1.8

The study team has found some examples of overlap and disagreement between the National Library and the Public Archives. The library has acquired a collection of original papers and manuscripts particularly as they relate to the field of literature. The Public Archives has felt this area to be its special field of responsibility.

ASSESSMENT

The nature and quality of services provided by the library have changed significantly in recent years as a result of technological innovations. These technological changes have not resulted in cost reductions but generally are manifest in improved service quality to client groups. The study team found that these service levels are not necessarily related to the optimum use of resources and suggests the library examine options for providing services at various levels and the need for eliminating or augmenting programs in response to resource availability.

The many valuable services provided by the library are done at nominal or no charge. This may encourage the establishment or continuation of services which do not justify the cost incurred.

The study team suggests that there is no longer a reason to have a $50 limit in the Book Deposit Regulations.

The study team has noted that the various special collections are expensive to maintain and are not required for the National Library to satisfy its mandate.

The Network Pilot Project has been very well received and appears to be a major step forward in positioning the National Library as the "librarians' library".

The Multilingual Biblioservice, while not within the library's collection mandate, is consistent with the government's Multiculturalism Policy and is efficiently administered by the library.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. Develop appropriate procedures to measure service levels within the National Library so that these levels

can be established as part of the consideration in the preparation of the annual estimates.

2. Review all services, including the Canadian Union Catalogue, Publishers Cataloguing Service, Book Exchange Service, Coordinating Interlibrary Loans, Canadian Theses on Microfiche and Research Activities, to determine which ones should involve some charges and what price should be established for each discrete service, with consideration given to the effect of the imposition of such fees on federal/provincial relations.

3. The National Library's collection policy be clarified and made more restrictive to focus on Canadian publications only.

4. Existing special collections, now in the library's possession but outside of the mandate of the National Library, be given to an institution with a mandate to collect in the particular area, such as a university library.

5. To eliminate any overlap or disagreement, establish clear and discrete collection policies and guidelines for the National Library and Public Archives which recognize that the National Library should concentrate on published materials and leave the collection and maintenance of manuscripts and other significant original records to the Public Archives.

6. The National Library continue to provide leadership in library technology and, before the termination of the Network Pilot Project, undertake an evaluation of the economic benefits of this and other innovative programs, with identification of how costs might be recovered from the groups who benefit.

7. The Book Redistribution Service be redesigned to limit the National Library's role to that of a clearing house for information rather than the receiver and distributor of these books and to recover costs from user groups.

8. The ceiling price applying to printed material under the Book Deposit Regulations be removed.

ANNEX I

KEY INDICATORS

Year	Books on Deposit	Entries to National Bibliography	Book Locator Requests	Reference Requests
75/76	14,145	27,820	148,888	9,973
76/77	15,061	25,137	151,481	10,666
77/78	16,282	28,512	156,307	11,341
78/79	17,852	28,729	175,771	12,595
79/80	16,000	31,289	178,772	15,495
80/81	17,905	25,775	173,251	15,479
81/82	16,356	19,064	168,401	26,127
82/83	17,420	26,029	189,544	27,741
83/84	19,381	31,888	182,373	26,988
84/85	20,586	36,773	159,609	28,111

NATIONAL HISTORIC PARKS AND SITES
PARKS CANADA

OBJECTIVE

To acquire and develop representative areas of the country for use by the public consistent with the preservation of such areas in their natural state; to preserve, restore and operate sites, structures and travel routes of importance to Canadian history, either directly or through recreational and conservation agreements with other governments, organizations and individuals; to recognize and protect the heritage and recreational values of Canada's outstanding rivers through inclusion in the Canadian Heritage River System; to protect for all time the heritage resources of federally-operated canals and to operate these canals for recreational use.

AUTHORITY

National Parks Act (C-11), the Historic Sites and Monuments Act and the National Transportation Act.

DESCRIPTION

This assessment covers Parks Canada programs as they relate to Canadian heritage.

Parks Canada has identified 63 historical themes and 39 natural regions in Canada and is committed to preserving representative samples of these themes and regions. There are also nine heritage canals and four heritage rivers. At each location, Parks Canada staff ensure the conservation of outstanding natural features, historical structures and artifacts; provide orientation and interpretation programs for park visitors and, in the case of national parks, accommodation and recreational facilities, such as campgrounds, picnic areas and trails. There are currently 140,000 square kilometres of park lands and areas that are preserved for education and enjoyment.

The programs operate at the national, regional and local levels, and the following additional activities are associated with the delivery of services: resource conservation (acquisition, inventorying and implementation of resource management plans); policy planning and research; and park management.

EXPENDITURES

($ million)

	83/84	84/85	85/86**	86/87	87/88
Program Costs*	63.6	71.8	57.5	61.6	61.6
Person-years*	1,139	1,194	1,039	1,067	1,105

* Includes National Battlefields Commission. See separate assessment.

** With administrative costs for Parks Canada prorated to Historic Parks and Sites, total expenditures in 1985/86 total $64.4 million and 1,164 person-years.

Revenues totalling $.8 million are forecast for 1985/86.

BENEFICIARIES

An estimated eight million Canadian and foreign visitors; 1.5 million camper nights; tourist operators and merchants.

OBSERVATIONS OF OTHER STUDY TEAMS

Two other study teams have done extensive work on Parks Canada. The Real Property Study Team recommended more efficient management through privatization of certain services, a review of park leases, transfer of maintenance of through - park highways, roads and historic canals to the provinces and withdrawal from town site management in Banff and Jasper. In addition, the report called for a policy review on parks acquisition to establish the realistic number of parks which Canada needs and can afford.

The Environment Study Team review will likely concur with these views and call for more cooperative ventures in Canada's parks involving other federal departments and levels of government and private enterprise to maximize tourism opportunities. The report will conclude that ventures should only be undertaken if they do not interfere with the primary objective of maintaining the parks and sites in an unimpaired state for future generations. It may also suggest that market rates be established for the various services provided.

ASSESSMENT

The study team agrees, in general, with the conclusions of the two parallel study teams. In this context, the study team wishes to concentrate on the treatment of heritage factors addressed by Parks Canada. Heritage in this respect includes both historical and unique natural sites which are as much a part of cultural heritage as historical events.

Parks Canada has as its objective to achieve 100 per cent representation of the 63 historical themes and the 39 natural regions within the Parks system. When this is done, the National Parks system will be seen to be complete. These themes and regions have been defined by the department and, at this time, 60 per cent and 50 per cent respectively has been achieved. However, the study team notes that, with one or two exceptions, these areas are not at great risk, so there is time to slow down the acquisition of parks to consolidate and concentrate on the existing system.

In the view of the study team there is a need for more federal/provincial coordination in this field. Parks Canada should be encouraged to work more closely with provincial governments to reduce duplication of facilities. While federal and provincial objectives are different, they are not mutually exclusive. Provincial activity in tourism promotion and provision of recreational space should be made as consistent as possible with the federal objective of preservation of the natural environment or the development of historical sites. Provincial participation should also be sought in setting priorities for site selection. This will encourage joint development and better rationalize the overall program. Attached in Annex 1 are data relating to the expenditures by Parks Canada and the provinces in this area.

As noted by the Environment Study Team and confirmed in discussions with Parks Canada, extremely high standards govern the reconstruction of historical sites. While excellence is to be applauded, Canada may not be able to afford a policy of striving for authenticity at all costs.

Parks Canada has established its own laboratory, research and conservation capabilities, while the National Museums of Canada has similar facilities. While the nature of items conserved by the two operations may be different, there is also a great deal of similarity of tasks and skills involved.

Parks Canada has undertaken an inventory of artifacts and other historical items in its possession. While NMC's Canadian Heritage Information Network (CHIN) was one of the bidders, the department selected a third party for this purpose. The stated factors in selection were control and flexibility of the system and possible support and assistance from existing Environment Canada systems, which could generate savings in development and ongoing maintenance costs. The result is that the system used to inventory the items in the National Museums, the associate museums and many other museums in Canada does not interface with the Parks Canada system.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The policy review proposed by the mixed study team on Real Property to determine a realistic parks acquisition program should include in its terms of reference a requirement to ensure that heritage sites not currently in the parks system are protected.

2. No further parks acquisitions be made until the acquisition policy review is completed.

3. Discuss with the provinces, at the next appropriate opportunity, the means necessary to improve the coordination and enhance the complementarity of federal parks and heritage programs with provincial tourism and recreational programs.

4. Establish an independent team of experts in conservation, heritage and historic sites development to determine the standards which should govern the reconstruction of historic sites and report to Cabinet on the standards and costs associated with such tasks.

5. The conservation and laboratory research centres of Parks Canada be amalgamated with that of the National Museums of Canada.

6. Prior to making any decision on obtaining artifacts for display or other use, Parks Canada should ensure that the required artifact is not available from the National Museums.

7. Implementation of the Parks Canada collections inventory system be delayed until a review of Parks Canada's decision which results in two incompatible inventory systems being used in the management of the national collection of historical artifacts.

8. Rates be established for all Parks Canada services at a level which would not detract from the use of, nor provide unfair competition to, similar facilities of the private sector or other levels of government.

NATIONAL BATTLEFIELDS COMMISSION
ENVIRONMENT CANADA

OBJECTIVE

To acquire, restore and maintain the historic battlefields at Quebec and to form a National Battlefields Park.

AUTHORITY

National Battlefields at Quebec Act.

DESCRIPTION

Established as a Schedule B Crown Corporation, the Commission reports to Parliament through the Minister of the Environment. It is governed by nine commissioners, seven appointed by Governor-in-Council and one each by the Governments of Ontario and Quebec. The chairman is appointed by the Governor-in-Council.

The National Battlefields Commission operates and maintains the historic site of the National Battlefields in Quebec City in a manner appropriate to commemorate the significance of the Battle of the Plains of Abraham in the history of Canada.

EXPENDITURES

In 1985/86, resources total $2.9 million and 47 person-years (these resources are included in the totals shown for National Historic Parks and Sites).

OBSERVATION

This program has been assessed by the study teams on Real Property Management and the Environment. We agree with their assessments that responsibility for the National Battlefields should be transferred to Parks Canada directly. Savings of approximately $150,000 in administrative costs would result from eliminating the independent operations of the National Battlefields Commission.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The proposals of the study teams on Environment and on Real Property Management to transfer responsibility for the National Battlefields to Parks Canada be implemented.

2. Develop a communications plan to ensure that the change in the management of the National Battlefields Commission does not raise concerns that the status of the National Battlefields as a heritage site has been downgraded.

THE NATIONAL POSTAL MUSEUM
CANADA POST

OBJECTIVE

To collect, document, preserve, study, display and interpret those objects deemed to constitute the Canadian heritage in the field of material communication.

AUTHORITY

Canada Post Corporation Act, 1981.

DESCRIPTION

The National Postal Museum (NPM), established in 1974 by the Post Office, is a service of Canada Post, and its curator reports to the vice-president, communications. Originally conceived as a philatelic museum, its collection was limited to stamps, plates, original art works and other artifacts of interest primarily to stamp collectors. Management of the museum, and its collection and public programming policies were left to the curator, assisted by a consultative board, which included the most important stamp collectors in Canada, mostly from Toronto. The museum itself originally occupied a very limited space outside the urban core of Ottawa and was not easily accessible to the general public.

In 1979, Canada Post reviewed NPM's mandate and operations and decided to broaden its museological objectives and make it at the same time an important tool in its public relations strategy. The collections were renovated following modern museological standards and the museum transformed from a purely philatelic museum into a postal museum, stressing the role of material communication in general, and that of the postal service in particular in Canada's development. NPM was moved to a central location, but the space it occupied was leased for a period of only five years.

In February 1985, before the end of its lease, the Canada Post Corporation announced its intention to close the museum and study whether it should be relocated or abandoned entirely. In April, 1985, Canada Post announced that a permanent NPM would be fully reopened in three years. In the interim, the philatelic collections, the library and collectors services will remain available in a temporary location.

EXPENDITURES

In 1985/86, resources total $1.1 million and 17 person-years (source: NPM, August 1985).

BENEFICIARIES

The general public; Canada Post; stamp collectors.

ASSESSMENT

The collection of NPM is rich and unique and, although in the custody of a crown corporation, is an integral part of the national heritage. As such there is a strong rationale to bring NPM under the National Museum of Man. This would protect the museum from inevitable fluctuations in the financial management and public relations strategy of a corporation whose primary mission is not heritage, but to operate a postal service in a business-like fashion. Care should be taken, however, not to break up the various components of the existing NPM collection, which includes not only stamps and plates, but also postal artifacts and a vast collection of artwork used to illustrate stamps. The study team is of the view that the unique character and integrity of the Canadian postal collection would be best preserved by making NPM an associate museum within the National Museum of Man, with a status similar to that of the Canadian War Museum. Furthermore, it is suggested that the NPM be located in the new building of the National Museum of Man, where it will enjoy maximum visibility while attracting additional visitors to the NMM.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. That the National Postal Museum become a component of the National Museum of Man, and that the integrity of its collections be preserved by giving it curatorial independence within NMM.

2. That the National Postal Museum be located in the new building of the National Museum of Man.

ANNEX I

PARKS CANADA PROGRAM

Expenditures on Historic Parks and Sites
($ million current)

	1983/84 Actual	1984/85 Forecast	1985/86 Estimates
Operating:	44.6	46.1	45.9
Capital:	19.1	25.7	11.6
TOTAL	63.7	71.8	57.5
Person-years	1,139	1,194	1,039

PROVINCIAL EXPENDITURES - 1984/85

($ million current)

British Columbia*	9.9
Alberta	6.9
Saskatchewan	1.5
Manitoba	.05
Ontario	15.4
Quebec	1.1
New Brunswick	3.3
Nova Scotia	5.1
Prince Edward Island	.5
Newfoundland	.3
Yukon	.07
Northwest Territories	None

*British Columbia figure is for 1983.

THE NATIONAL CURRENCY MUSEUM
BANK OF CANADA

OBJECTIVE

To collect, preserve and display the national heritage as it relates to currency.

AUTHORITY

The Bank of Canada Act (1934).

DESCRIPTION

In 1959, the Bank of Canada began consultations on the establishment in Canada of a national currency collection. In 1963, the Bank assumed the role of custodian of a national collection, while other institutions (charter banks, private collectors and the Public Archives of Canada) began making donations or transfers.

Today, the National Currency Collection consists of some 100,000 items of coins, tokens and paper money that have been used or are being used in what is now Canada, and also of a representative collection of historical and current coins, tokens and paper money from other countries.

Located in the main building of the Bank of Canada, the museum consists of eight galleries, seven of which contain a permanent exhibition on the history of the development of money from barter to the present monetary system. There is also a collectors' corner.

EXPENDITURES

In 1985/86, the National Currency Museum (NCM) has a total budget of $0.4 million. It has eight full-time and 5.6 temporary employees. These resources are not considered part of federal expenditures for cultural purposes.

BENEFICIARIES

The general public; numismatists; the Bank of Canada.

ASSESSMENT

The collection of NCM is rich and unique and, although in the custody of the bank, is an integral part of the national heritage. As such there is a strong rationale to bring NCM under the National Museum of Man. Care should be taken, however, not to break up the various components of the existing collection. The study team suggests that the integrity and unique character of the Canadian currency collection would be best preserved by making NCM an associate museum within the National Museum of Man, with a status similar to that of the Canadian War Museum. Furthermore, it is suggested that the NCM be located in the new building of the National Museum of Man, where it will enjoy maximum visibility while attracting additional visitors to the NMM.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The National Currency Museum become a component of the National Museum of Man, but that the integrity of its collections be preserved by giving it curatorial independence within NMM.

2. The National Currency Museum be located in the new building of the National Museum of Man.

INSURANCE PROGRAM FOR MAJOR TRAVELLING EXHIBITIONS
DEPARTMENT OF COMMUNICATIONS

OBJECTIVE

To facilitate hosting of travelling exhibits by Canadian museums, galleries, archives and libraries and to increase access by the Canadian public to these exhibitions.

AUTHORITY

Department of Communications Act.

DESCRIPTION

Canadian cultural institutions (such as museums, art galleries, libraries, archives and art, science or cultural centres) which are publicly-owned and operated for the benefit of the public may apply for insurance coverage for travelling exhibitions which they propose to host on their premises. The Program only provides coverage for exhibitions of cultural objects having a total value of $1 million or more.

International exhibitions which are displayed at one or more Canadian locations are eligible for coverage and only travelling exhibitions are eligible. In-house exhibitions of any value are not eligible for coverage, nor are exhibitions organized by Canadian institutions and loaned to institutions abroad.

EXPENDITURES

In 1985/86, resources total $2.4 million and one person-year.

BENEFICIARIES

Canadian museums; the Canadian public.

ASSESSMENT

The program has only begun to operate and thus has a limited track record. It was established in response to the concensus of Canadian cultural institutions that they would not be able to afford insurance for major exhibitions and so the Canadian public would be precluded from seeing them. The Prairies, in particular, welcomed the program.

OPTIONS

The study team recommends to the Task Force that the government continue with the Insurance Program for Travelling Exhibitions with monitoring and evaluating within two years.

MOVEABLE CULTURAL PROPERTY SECRETARIAT
DEPARTMENT OF COMMUNICATIONS

OBJECTIVE

To preserve in Canada the best examples of Canada's heritage in moveable cultural property.

AUTHORITY

Cultural Property Export and Import Act, 1977.

DESCRIPTION

The Moveable Cultural Property Secretariat of the Department of Communications is responsible for administering the Cultural Property Export and Import Act which is designed to retain in Canada cultural property of significance.

Under the Act, the Control List provides specific age, value limits or other criteria for categories of protected objects. If an object falls in these categories, in order to sell it outside of Canada, an export permit must be requested. An export examiner is consulted to determine if the object is of outstanding significance and if its loss would significantly diminish the national heritage. The examiner's decision is subject to appeal to the Moveable Cultural Property Review Board, which has from six to 12 members appointed by Governor-in-Council. A delay period of two to six months may be established where no permit is issued, during which a Canadian institution may negotiate to purchase the object at a fair market price. If a fair price cannot be agreed on, the Board, with the assistance of an expert evaluator, will establish the price. This sale is exempt from capital gains tax, and this and other tax reliefs are expected to be considered in establishing the price. If the vendor will not sell at that price, he will be denied an export permit for two years.

The Review Board is also responsible for the certification of cultural property for income tax purposes. The board determines if the property meets the criteria of outstanding significance and national importance before granting certification. This certificate provides exemption from capital gains tax if the object is sold to a designated cultural institution, approved by the Minister of Communications. It also allows significant tax savings in the case of a gift to such an institution.

Designated institutions and public authorities may apply for grants or loans under this program to purchase cultural property in Canada which meets the Act's criteria. As well funds are available to repatriate important items which have been removed from Canada.

EXPENDITURES

In 1985/86, resources total four person-years and $2.4 million, of which $2.2 million is for grants.

BENEFICIARIES

The Canadian museum community; Canadian public; foreign nations (assisted in retaining their cultural objects through reciprocal agreements).

OBSERVATIONS

Since the Act has been in force, many objects have been prevented from leaving Canada and a large number have been repatriated in a fair manner, which does not result in confiscation of the particular items and allows the establishment of a fair price to be paid to the owner.

The program also has resulted in a significant increase in the number of donations to a variety of institutions across the country.

No change needs to be made to the regime protecting moveable cultural property.

HISTORICAL DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS

OBJECTIVE

To function as the corporate memory for the department, to publish materials related to foreign policy, and to act as the spokesman on historical matters.

AUTHORITY

External Affairs Act.

EXPENDITURES

In 1985/86, resources totalled $0.5 million and 12 person-years.

DESCRIPTION

Prior to the establishment of the division, research on Canadian foreign policy was influenced by data available primarily from foreign sources. The division was established in the early 1950s to provide a Canadian perspective on Canadian foreign policy for foreign governments, the academic community, the media and other interested parties and, for the Canadian government itself, to provide a vehicle to insure consistency and understanding of policy changes over time.

BENEFICIARIES

As noted above.

OBSERVATIONS

The department maintains archival-type records before they are turned over to the Public Archives after thirty years. While these files actually are stored in the Public Archives, all access to them is strictly controlled by the External Affairs Historical Division to ensure that national security is maintained and that there is no opportunity to jeopardize international relations.

Selected records of historical significance, prepared under contract by historians chosen by tender, are published for each year since the department was formed in 1909. Documents from 1946 are available currently. The records are distributed to Canadian Missions abroad and to selected research centres throughout the world to provide access to the Canadian perspective on Canadian foreign policy.

In addition, a history of the department is being prepared to provide a record of the impact of changes in foreign policy on the Department of External Affairs itself.

The Director and an assistant speak to the academic community on a regular basis. In this way, they publicize the services available and also provide an informed view of events, which could not otherwise be made available.

ASSESSMENT

In the view of the study team the Historical Division offers a service necessary to the understanding of Canada's history, as it relates to international affairs. If this division did not exist, these functions would have to be performed elsewhere or the activity would not be carried out. Due to the sensitive nature of the material, it cannot be released to another government department to administer and interpret.

The output appears adequate in scope to serve the needs of both department and outside users.

No change needs be made to the role and functions of the Historical Division of the Department of External Affairs.

PERFORMING ARTS

OVERVIEW

This sector covers the performing arts (dance, music, theatre) and touring. It includes the National Arts Centre, the Canada Council (except those programs relating to film, publishing, and the visual arts discussed elsewhere), the Public Activities Program of the National Capital Commission, and programs within the departments of Communications (Program of Cultural Initiatives), Secretary of State (Performing and Visual Arts Program), and External Affairs (Cultural Policy and Arts Promotion Divisions).

In 1985/86, the resources allocated to this sector totalled approximately $116 million and 758 person-years, 593 not controlled by the Treasury Board, and 165 controlled.

The study team's program assessments and analysis reveal very little duplication among federal government performing arts programs but reveal that the programs could be improved and rendered more cost efficient. The team has identified a need for a sectoral policy to provide a more stable environment and to guide performing arts companies in the preparation of medium- and long-term plans. A policy framework would also allow for better coordination between the three levels of government and amongst the various arts councils. It is the study team's view that such a framework would facilitate discussions among all parties concerned.

It is the study team's conclusion that federal programs supporting the performing arts are not regionally sensitive. An overwhelming proportion of funds under DOC's Program of Cultural Initiatives (PCI) went to Quebec and Ontario and to a few large urban centres elsewhere. Although the Canada Council chooses its jury members, among other criteria, on the basis of region, the grants are allocated solely on the basis of 'national' artistic merit without adequate regard to the varying degree of evolution and responsibilities in the various regions. "Explorations" is the only Canada Council program which takes regional factors into consideration and the Canada Council should be commended for it.

In reviewing the relevant programs of DOC and of the Canada Council with those of the Secretary of State, the study team found that if the department and the cultural agency had been more sensitive to the needs and aspirations of ethnocultural groups, there would have been less need for these groups to seek funding from the Secretary of State. Corrective measures are therefore proposed.

It is the study team's view that the promotion and marketing of performing and visual arts companies abroad would better be undertaken by the Canada Council Touring Office rather than by External Affairs' cultural centres and Arts Promotion Branch. External Affairs' primary responsibility should be foreign policy, not arts promotion. In this regard, the study team suggests the dissolution of the cultural centres and the Arts Promotion Branch. On the other hand, the team regrets the Canada Council's decision to cancel the contracts of two professional consultants who were supporting performing arts companies through promotion and marketing efforts at home and abroad.

The Canada Council, the Department of Communications, and the Secretary of State all fund service organizations. It is the study team's view that the service organizations should be funded through their own constituencies and the federal government should cease all funding to these organizations. In consultations, the team learned that large service organizations gradually lose touch with the grass-roots and, over time, become less representative and responsive to the groups they serve. If service organizations were supported directly by the performing and visual arts organizations, they would stay more closely attuned to the needs of their clientele.

The study team also focussed on the provision of operational funding to performing art companies, museums and galleries. It is the study team's view that an operational funding framework needs to be developed in consultation with the federal cultural agencies and, subsequently, negotiated with the provinces.

Multiple-source funding was found not to be a problem by either clients or departments in the realization of different governmental objectives. It provided a sense of financial security to arts groups even if it meant a more complex system to understand. It is the study team's view that whenever multiple-source funding exists within the federal government, federal programs should be complementary in the achievement of different objectives rather than supplementary in the achievement of the same objective.

National Capital Commission

The Public Activities Program of the National Capital Commission plays a major role in the animation of cultural and recreational activities in the National Capital Region. These activities bring substantial economic benefits to municipalities and to businesses while their financial participation is almost non-existant. It is the study team's view that the National Capital Commission should elaborate a plan by which the municipalities and other regional governments could be encouraged to take a more active financial role if they do not want to see the level of activities sponsored by the NCC substantially reduced.

Canada Council

The Canada Council has been one of government's most important and dynamic instruments in the development of the performing arts. Its diverse programs were designed to respond specifically to the creativity of the arts community and the various performing arts. Over the years, the Canada Council appears to have lost some of its openness to new and innovative forms of art. The major portion of the funds allocated to performing arts goes to operational funding and to the same large companies. In addition, the Canada Council has become increasingly bureaucratic in its grants administration to ward off negative comments on its choice of successful candidates. In the study team's opinion, it is now time for the Canada Council to reorient much of its emphasis to market development and arts promotion and its Touring Office would be an important vehicle for this reorientation.

It is the study team's view that the Canada Council must reduce its administrative costs and streamline its activities. The team also feels that artists in the developmental stage should be encouraged and that the choice of jury members should reflect this priority.

The study team also sees an improved consultation and better working relationship with the minister responsible through the formulation and implementation of a corporate strategy (as described in the section on the arm's-length principle).

In its review of the Arts Award Program, one of the two Canada Council programs aimed specifically at supporting artists rather than arts organizations, the study team found that, in view of the many disciplines it was trying to serve, an independent impact assessment analysis should be undertaken to determine the program's effectiveness.

The National Arts Centre

The establishment of the National Arts Centre as a Centennial project was one of the major steps undertaken by government to highlight its commitment to the arts in Canada. As a showpiece of the performing arts, it was to become a 'national symbol' that everyone and most particularly the arts community could benefit from and be proud of. Time has shown that the NAC has been a source of disappointment in its artistic productions and its managerial achievements. In particular, theatre companies from across Canada agree that the productions of the NAC did not meet the artistic quality expected in spite of its important programming budget. Few of the established artists see themselves pursuing their careers at the NAC but look at the NAC as a training ground for young artists coming into the field.

Few Canadians have been privileged to see the NAC theatre and music productions on tour, although some regional theatre companies have had the opportunity to play at the NAC. As a result many Canadians feel that the National Arts Centre is paid for by all Canadian taxpayers for the benefit of residents of the Ottawa/Hull region.

The overall budget of the NAC is the envy of performing arts companies who have to struggle to make ends meet. The NAC is assured of its annual appropriation regardless of the number of performances and the quality of its productions. It should be said, however, that the National Arts Centre has been plagued by high administrative costs (36.3 per cent in 1984/85) and by building repair costs. As its annual appropriations have remained constant since 1976, the NAC has had to reduce its programming activities. The NAC's policy not to compete for funds from the private sector has not helped in that regard. In addition, financial contributions from the provincial governments are non existent.

It is the study team's view that although the NAC facilities are of national significance, its program production activities are essentially regional. The study team proposes that the NAC operate in a fashion similar to most other art centres across Canada. To do so would imply that the NAC corporate structure be dismantled and that the responsibility for the operations and maintenance of the facility be transferred to the National Capital Commission who could contract out the day-to-day management of the NAC operations. Some economics of scale could be realized in the maintenance functions of the building. It is the study team's view that the NCC should, in collaboration with the Touring Office of the Canada Council use the NAC facilities as a focal point for Canadian performing arts companies touring in Canada. The study team also believes that the restaurants, garage and catering service operations should be transferred to the private sector.

The study team sees the NAC orchestra being placed on the same footing as other performing arts companies. It would become a non-federal organization eligible to receive grants from the Canada Council and provincial governments.

EXPENDITURES (1985/86)

	$ million	**Person-years**
Canada Council		
Dance	8.3	6*
Music	13.1	8*
Theatre	14.2	11*
Touring	3.0	17*
Explorations Program	2.3	12*
Art Awards Program	8.3	32*
Administration**	11.6	78*
Less revenue**	(10.0)	
National Arts Centre	14.6	429*
Dept. of Communications		
Program of Cultural Initiatives	29.0	10
Cultural Affairs Program	4.8	55
National Capital Commission		
Public Activities	8.7	84
External Affairs		
Cultural and Performing Arts Divisions	5.9	16
Secretary of State		
Performing and Visual Arts	1.9	n/a
TOTAL	115.7	593* 165

* not controlled

** Total administrative and revenue figures for the Canada Council are included in this sector.

THE CANADA COUNCIL IN GENERAL

OBJECTIVE

To foster and promote the study and enjoyment of, and the production of works in, the arts. (See Annex I)

AUTHORITY

Canada Council Act, 1957.

DESCRIPTION

Between 1957 and 1965, the Canada Council operated like a private foundation on income earned from an original $50 million endowment from the government and subsequent donations and bequests. In 1965, the Canada Council received its first annual grant from the government. Since then, its financial resources have come from income earned from its endowment and an annual appropriation from Parliament.

The Canada Council reports to Parliament through the Minister of Communications. Its financial accounts are audited by the Auditor General of Canada who has just completed a first comprehensive audit of the Canada Council.

The council is one of the four cultural agencies exempt from the crown corporations provisions of the Financial Administration Act. It is not subject to the Public Service Staff Relations Act or the Public Service Employment Act.

It is governed by a board, whose chairman and vice chairman are appointed for a period not exceeding five years. Each of the other members of the Council are appointed for terms of three years. All are Order-in-Council appointments. The board meets four times a year. The director and associate director are also Order-in-Council appointments but at pleasure.

The Canada Council interprets its mandate to be to foster and promote excellence in the arts, through grants, scholarships, loans and awards to organizations and individuals. Most grants are awarded through an extensive system of competition, juried by artists and other independent specialists in the disciplines involved. Some 2,700 grants are awarded annually.

The Canada Council administers the following programs: Dance, Music, Theatre, Visual Arts, Media Arts, Art Bank, Touring Office, Explorations and Arts Awards Service. Each of these programs is the subject of an individual program assessment by the study team. A portion of its budget also goes towards general administration and the UNESCO Secretariat.

The major portion of the Council's program budget goes to the Performing Arts (57 per cent), while Visual Arts, Media Arts and the Arts Awards Service receive approximately 10 per cent each. Explorations and Touring obtain 3 per cent and 5 per cent respectively. Grants to organizations account for 80 per cent and grants to individuals for 20 per cent. The Art Bank supports itself entirely on the revenue it generates.

BENEFICIARIES

Professional artists, professional arts organizations and art galleries, art administrators and touring managers.

EXPENDITURES*

	1983/84	1984/85	1985/86	1986/87	1987/88
$ million	65.6	69.6	72.0	72.0	72.2
Person-years	230	235	235	235	235

* In addition, the Canada Council spends approximately $10 million received from interest on endowment funds.

OBSERVATIONS

The Canada Council made cuts in the following areas as a result of the government's November 1984 decision to reduce its budget by $3.5 million:

- cancellation of the toll-free telephone line which enabled artists and others to contact the Council without paying long-distance charges;
- cancellation of the services of two professional financial and marketing advisors to performing arts organizations for purposes of fundraising and subscription advisory services;
- closing of Stanley House in New Richmond, Quebec;

- immediate abolition of the Arts Advisory Board;
- reduction in services of the Canadian Commission for UNESCO; and
- reduction of up to 5 per cent in staff.

ASSESSMENT

Administration

The Canada Council continues to be one of the major contributors to the development of the arts in Canada and is perceived as such by the cultural community and by Canadians generally. The study team is convinced that the Canada Council should remain the government's principal chosen instrument of support to the arts in Canada. The study team is equally convinced, however, that both the council and the arts community would benefit from a major review of its administration and policies.

The Auditor General's first comprehensive audit of the Canada Council will be presented to the council's board in September. Major improvements can be made in the administration and financial management of the Canada Council. As no specific objectives have been set forth for each of the art sectors and as there are no specified criteria for the allocation of funds, it is difficult to assess the effectiveness of programs. The present form of evaluation of these programs (through peer reviews and consultations) is more aptly considered "intelligence gathering" rather than program review. In addition, the financial management of the endowment fund's investment portfolio has raised questions.

The council requires every application for ongoing operational support to be submitted on a yearly basis. Although exact figures were not provided, some 50 per cent of operational grants allocated, particularly in the performing arts, have gone to the same organizations year after year. The workload could be reduced considerably if these applications were reviewed and funds allocated for a longer period, say three to five years. The funds for the first year would be granted. The funds for the remaining years, however, would be allocated provisionally, subject to the appropriation of funds by Parliament and to the receipt of an annual audited financial statement from the recipient.

The study team has some concerns as to whether the board can appropriately handle its workload and provide the strategic direction required, meeting only four times a year. The board's operational workload could be reduced considerably if the director's signing authority was increased from $25,000 to $50,000. As all grants are adjudicated by juries, the smaller grants need not be individually approved by the board. It is the study team's view that the time saved would enable the board to take a more active role in policy development and general management.

A recent independent assessment has concluded that general administrative costs for the Canada Council represent between 18 per cent to 24 per cent of the total budget. The Council itself claims that these costs represent only 14 per cent as it argues that the funds paid to artists to adjudicate grants are really support for artists, not administrative costs. In comparison, administrative costs for the Ontario Arts Council are 10 per cent of its budget. The study team believes that administrative costs can be reduced significantly as indicated in its individual assessments of the Canada Council programs.

As outlined in its recommendations on an accountability framework in support of the 'arm's-length' principle, it is the study team's view that a corporate strategy should be developed and reviewed annually by the council's board and the minister. As visualized by the study team, an agency strategy would include fine-tuning of the legislative mandate, a results-oriented mission statement, more specific corporate objectives, organizational/program structures designed to meet these objectives, resources assigned to the programs in broad terms, and a statement of the results expected. The strategy should also include a statement of priorities over the next three- to five-year period.

There are a number of issues that the study team would like to raise that cut across all the activities of the Canada Council. They are addressed below.

Operational Funding Versus Project Funding

The major portion of funds allocated to performing arts companies by the Canada Council are for ongoing, continuous operational funding of maintenance, programming, publicity, and personnel costs. Organizations are also eligible for project funding of specific activities for a limited purpose or time. The large performing arts companies have received operational grants from the Canada Council for the last 10 years and longer. A question being debated in the arts community is whether this funding pattern should continue or whether more funds should be made available to small and medium-sized performing arts companies. Some argue that these well-established companies should continue to be supported at the expense of emerging groups as they provide work for a large number of employees, are more versatile in their productions, and tend to produce better quality presentations. Others argue that this emphasis reduces the survival potential of smaller companies, often considered by their peers as the more creative and serving a public located outside the larger urban areas. In 1978, according to Statistics Canada, the government provided a $1.94 per spectator subsidy to large companies as compared to $1.10 to smaller organizations. Provincial government subsidies were the same to both categories, at a level of $1.04. Care should be taken in interpreting these figures, as the numbers are dated and because large companies tour considerably more than smaller ones. They do, however, raise the issue of the respective roles of the federal and provincial levels of government towards both "national" and "regional" organizations.

Sponsorship and fund-raising are generally easier for large companies to pursue successfully since they have established credibility and visibility. Smaller and newer companies are still making their reputations and are usually more adventurous in their endeavors; in so doing, they are perceived as more risky to support. In addition, the size of the population "served" by a performing arts company is important. Larger companies tend to be located in urban areas where they can perform repeatedly before larger audiences.

The study team suggests that a concerted effort should be made by the federal government to develop compatible and complementary funding policies with the provinces. In addition, the Department of Communications and the Canada Council should establish their respective roles in funding performing and visual arts organizations so that the programs' beneficiaries are clearly identified, duplication is reduced, and the opportunities for funding are clearly evident to the relevant clientele.

Over the last two years, the Canada Council increased the level of funding to small and medium-sized companies pegged to the rate of inflation and growth rate of the company. The council has, however, maintained the same level of funding to large companies over the last two years. Pressures from large performing arts companies to reconsider this decision are growing. The study team suggests that the funding of both large and small performing arts companies should be continued at the current level until such time as the federal and provincial governments have agreed on their respective roles and levels of funding.

A question arises as to the locus of responsibility for operational or core funding. Some argue that the Department of Communications should have sole responsibility because peer review of artistic merit is not the only factor considered for long-term operational assistance and, in fact, the true assessment of viability is made in the marketplace. Others support the Canada Council's role in operational assistance on grounds that artistic quality must be continuously evaluated. Support should not be subject to political influence nor automatically granted.

As outlined in its concept paper on the 'arm's-length' principle, the study team concludes that the provision of ongoing, operational support for Canada's major arts organizations should be based on economic, regional and cultural criteria and therefore decisions on funding require ministerial involvement. Funds may be administered by a cultural agency but only a minister can negotiate the relevant responsibilities of the federal and provincial governments. Project funding and sustaining grants to smaller organizations should be the responsibility of 'arm's-length' agencies.

Regardless of the source of funding, operating grants create a dependency on government funding. An incentive system should be developed, in collaboration with provincial funding agencies, to help performing arts companies become more independent of government funding. Operational funding should be linked to management improvements and operational benchmarks such as seat occupancy. The Bovey Task Force on Funding of the Arts will no doubt deal with this issue.

The Jury System

Unlike programs under the Departments of Communications and Secretary of State, the Canada Council uses a jury system to assess and determine which individuals, projects and organizations should receive grants. Jury participants are chosen from the arts community by the Canada Council according to expertise, discipline, experience and region.

During the study team's consultations with representatives of the arts community, many supported the jury system as one of the best ways of assessing artistic quality. They expressed discontent, however, with the Canada Council's administration and selection of juries. The main complaints were that the system has become ingrown, lacks representation from other than artistic segments of the population, and is closed to new and emerging ideas. Canada Council officers are responsible for the selection of candidates for a jury. The selection process is seen to be coloured by their individual taste, judgement and value system. The study team suggests that the following modifications would help alleviate some of the problems:

1. The Canada Council Heads of Division and/or arts officers should attend jury meetings only in administrative capacities, with no voice and no vote on the cultural merits of an application.

2. Jury members should be chosen to reflect all segments of the community, including potential clients and users (e.g. corporations, impresarios, commercial art galleries), the multicultural community and native interests.

3. To reduce the administrative costs of the jury system, consideration should be given to computer automation of the system.

Rationalization of Grant Programs

In an effort to better serve the growing needs of the arts community, the Canada Council has established sub-programs under each program to satisfy a specific clientele. This has led to increased bureaucracy, additional juries, and a significant fracturing of the funds. The study team considers that the Canada Council is cutting its pie too finely, and, in so doing, is reducing the impact of its programs. Rationalizing its activities and determining clear objectives and targets are essential. As one example, the study team has concluded that service organizations should not be funded either by the Canada Council or by the Department of Communications. Since it is a principal role of such service organizations to act as advocates on behalf of their constituents, the study team feels that members should fund their associations fully. In such a way, the organization will remain sensitive to its constituents' concerns and more independent of government.

Arm's-Length Relationship

The arm's-length relationship has been widely supported by the arts community as the most effective mechanism to ensure that cultural support is allocated on the basis of artistic merit. The relationship between the government and its cultural agencies is particularly relevant to the Canada Council. The study team's views on the policy and operating relationships between the Canada Council and its minister are contained in the section on the arm's-length principle.

A Statement of Mission

Performing arts companies, artists and some service organizations have identified the need for a clear cultural policy in general, and a statement of mission in the visual and performing arts, in particular. A sectoral policy in the performing arts and in the visual arts would provide a context within which all parties could better operate and direct government expenditures to meet clear objectives.

Consultations

Provincial arts councils and other granting bodies have indicated that, while ongoing consultations occur with the Canada Council, their recommendations on funding do not appear to be taken into consideration. Performing arts companies have indicated that provincial criteria for grant allocations sometimes differ considerably from and even contradict those of the Canada Council. The study team suggests that regular consultative mechanisms between the Canada Council and provincial bodies be established, so that concerted efforts may be made to provide a more coherent message on grants criteria. It perhaps would then be possible to develop common or, at least, similar application forms and procedures.

Promotion and Marketing

The study team believes that the arts must be accessible to all Canadians and not only to a chosen few. To enable this to happen, public awareness of the arts must grow. Increased publicity and marketing are both necessary. In concert with the private sector and provincial governments, the government could undertake a national information campaign, similar to PARTICIPACTION, to raise the awareness level of all Canadians on the role of the arts and on the government's commitment to encouraging the arts. This matter could be the subject of discussion at an upcoming federal/provincial meeting of ministers responsible for culture.

OPTIONS

The study team recommends to the Task Force that the government consider preparing a Corporate Strategy for the Canada Council which would:

1. Reconfirm the Canada Council as the government's principal chosen instrument of support to the Arts in Canada.

2. Propose substantive administrative cost reductions (as noted in the individual assessments of Council programs) to free funds for reallocation to the Canada Council's programs.

3. Propose a framework which will clearly set out the roles of the minister and the Council in the area of ongoing operational funding and which the minister can use in subsequent negotiations with the provinces.

4. Develop an incentive system to help performing art companies become more financially independent of government funding.

5. Re-vamp and modify the jury system to increase representation of non-artistic segments of the population.

6. Withdraw from funding of service organizations and advocacy groups.

7. Propose a statement of policy or mission to provide guidance and orientation to the management of client groups and of the Canada Council for each of the cultural sectors covered by Council activities.

8. Establish a formal consultative mechanism between the Canada Council and provincial arts funding bodies.

9. Develop a strategy for the promotion and marketing of the arts for implementation in collaboration with the provinces and the private sector.

CANADA COUNCIL
PERFORMING ARTS SECTION

OBJECTIVE

To foster and promote the work of professional performing arts companies and artists and to make it accessible to the Canadian population as a whole (See Annex I).

AUTHORITY

The Canada Council Act, 1957.

BENEFICIARIES

The Canadian dance, music and theatre community, including both artists and technical and administrative support personnel; the general public.

DESCRIPTION

The performing arts group covers the dance, music, theatre and touring sections of the Canada Council. Each is responsible for the administration of numerous programs that provide operating and project grants to companies and project grants to cultural organizations and artists.

Operating grants assist the ongoing, continuous operational activities of professional companies while project grants focus primarily on individual events. Decisions are based on the advice of panels of experts or "peers" selected by Canada Council officers.

The dance programs fund ballet and modern and experimental dance. Their beneficiaries are dance companies, choreographers, professional schools, service organizations and senior artistic and administrative staff. The music programs are the most extensive with 15 different components. They fund more than 200 music organizations including orchestras, opera companies, choirs, instrumental ensembles and service organizations. The theatre section funds professional theatre companies and organizations (French and English programs). The touring office provides touring information and consultation services to the other sections of the Canada Council, to artists, managers and administrators of companies and to departments such as External Affairs. It also offsets revenue shortfalls of performing artists and arts groups on tours. Annex II provides more details on the various programs.

EXPENDITURES

		($ million)			
		80/81	81/82	82/83	83/84
Dance	Operating budget	.3	.3	.3	.3
	Grants	4.8	6.0	7.4	7.8
	TOTAL	5.1	6.3	7.7	8.1
Music	Operating budget	.3	.3	.4	.4
	Grants	9.3	10.3	11.7	12.3
	TOTAL	9.5	10.6	12.1	12.7
Theatre	Operating budget	.3	.4	.4	.5
	Grants	9.6	11.1	12.9	13.6
	TOTAL	9.9	11.5	13.3	14.1
Touring	Operating budget	.9	1.0	1.2	1.3
	Grants	1.5	2.2	2.7	2.8
	TOTAL	2.4	3.2	3.9	4.1

NOTE: The above operating budgets include common services' administrative costs.

Person-years	**Officers**	**Support staff**	**Total**
Dance	4	2	6
Music	4	4	8
Theatre	8	3	11
Touring	7	10	17
TOTAL	23	19	42

NOTE: Annex III provides more detailed observations on each Section.

OBSERVATIONS

Provincial and some municipal governments have in place a number of similar programs for music, theatre and dance. The objectives and scope vary from province to province but the emphasis, in general, is placed on regional companies and in fields which are not supported by the Canada Council, such as folklore and amateur artists. On the other hand, provinces like Quebec and Ontario also support the major companies funded by the Canada Council. There appears to be no concerted effort to streamline or harmonize policies, objectives, procedures, and funding criteria between the two levels of government, although the Canada Council takes provincial contributions into account in determining its level of financial support.

Beneficiaries consulted by the study team find the Performing Arts program, with more than 40 different sub-programs administered by 42 individuals, somewhat complex. This is particularly so for smaller companies. In addition, many beneficiaries have questioned the fairness of the jury system. They claim that it has evolved into cliques of established artists who provide limited scope for artistic expressions other than their own.

ASSESSMENT

Dance

In 1980, the Dance Section conducted a comprehensive analysis of the art form and of its relationship with the Canada Council. The basic conclusion was insufficient funding. The present level of funding is indeed barely sufficient to support the three major companies, leaving almost no room for core funding of newer major Canadian companies. Furthermore, a significant number of beneficiaries have lost faith in the management of the Dance Section which is said to be traditionalist and too heavily biaised toward classical dancing. Therefore, it is difficult for the study team to conclude whether the source of problems lies in inappropriate resources or biased taste and judgment.

Theatre

Generally speaking, this program appears to be well managed. Over time, the support provided by the Canada Council has had a profound impact on the development of theatre in Canada.

Music

The Canadian musical scene is a success story and the level of funding appears appropriate. The Council spent some $12.7 million across some 15 sub-programs. This section would benefit from a major effort at streamlining and rationalization.

Touring

The Touring Office is clearly an essential ingredient in the cultural life in Canada. Results show that it is meeting its mandate but that the mandate is too limited. Its approach to touring should be more marketing oriented.

OVERALL ASSESSMENT

Taking into account its limited financial resources, the Performing Arts group of the Arts Division of the Canada Council meets its objectives. However, its effectiveness and use of resources, both financial and human, need improvement. The Council requires applications for ongoing, operational support to be submitted on a yearly basis. Although exact figures were not provided, some 50 per cent of operational grant allocations have gone to the same organizations year after year. In the view of the studys team considerable workload reduction could be effected if these applications were reviewed and funds allocated for a three- to five-year period. Furthermore, the study team believes the operational funding should be tied to specific measurable objectives such as box office revenue increases, seat occupancy improvements, and increased level of private funding.

In the view of the study team the practice of directly funding artistic and service organizations such as associations of orchestras and of dance companies is questionable. The budget set aside for that purpose is considerable (e.g., music $620,000, theatre $321,000). The study team believes that these associations should be supported directly by members if they are to become genuinely representative of their constituencies.

The study team is also of the opinion that if the Canada Council is to remain the principal chosen instrument of the federal government in its support of the performing arts, its level of funding, substantially reduced in real terms over time, should remain at a level appropriate to its mandate.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The Canada Council take these principles into consideration in revising its jury procedures:
    a. Officers should attend jury meetings only in administrative capacities, with no voice and no vote on the cultural merits of an application.
    b. Juries should also include representatives from the international scene, when warranted, and representatives from the marketing/promotion side of the arts such as impresarios and gallery owners.
    c. Service and artists' associations should be given the opportunity to input into the preparation and maintenance of a list of possible jury members.
2. Programs for the performing arts be streamlined and consolidated.
3. All performing art sections be supported by a common administrative unit and that division heads and officers not remain in office for more than three to five years.
4. Application forms and reporting procedures be reviewed in consultations with provincial bodies to limit their number and simplify their content.
5. Operational funding to art companies of national significance be streamlined along these lines:
    - companies be requested to submit every three years a long-range plan stating specific measurable performance objectives such as box office revenue increases, seat occupancy improvements, private sector funding increases;
    - Canada Council funding criteria be based on rewarding both effort and success; and
    - Canada Council officers take a more pro-active role with art companies in reviewing their financial and operational reports.

6. The mandate of the Touring Office be expanded to include the promotion and marketing of the performing, visual and literary arts through the direct and indirect provision of managerial development services.

7. The Touring Office become closely involved in the programming of the NAC and be responsible for the funding of performing arts companies touring outside Canada.

8. Canada Council funding of service organizations be terminated.

ANNEX I

CANADA COUNCIL

PERFORMING ARTS SECTION

Objectives and Powers of the Council

1. The objectives of the Council are to foster and promote the study and enjoyment of, and the production of works in, the arts. In particular, but without limiting the generality of the foregoing, the Council may, in the furtherance of its objectives:

   a. Assist, cooperate with and enlist the aid of organizations, the objects of which are similar to any of the objects of the Council.

   b. Provide, through appropriate organizations or otherwise, for grants, scholarships or loans to persons in Canada for study or research in the arts in Canada or elsewhere or to persons in other countries for study or research in the arts in Canada.

   c. Make awards to persons in Canada for outstanding accomplishment in the arts.

   d. Arrange for and sponsor exhibitions, performances and publications of works in the arts.

   e. Exchange with other countries or organizations or persons therein knowledge and information respecting the arts.

   f. Arrange for representation and interpretation of Canadian arts in other countries.

   (Amended June 1977, Bill C-26, Part II, 23).

ANNEX II

CANADA COUNCIL
PERFORMING ARTS SECTION

DESCRIPTION OF PROGRAMS

Dance

- Operating grants to dance companies: For the overall activities of professional, non-profit companies. Applications are evaluated according to three basic criteria: artistic excellence, administrative competence and financial responsibility. Compliance to the first criteria is determined by independent assessors and the other two by the Dance section staff.
- Project grants to dance companies: For one or more aspects of a company's activities such as the hiring of artistic staff or the creation of new works. The above criteria also apply. A company receiving an operating grant is not eligible for a project grant.
- Grants to independent choreographers
- Independence: To small scale presenters for work created by independent choreographers not funded by the Dance section.
- Grants to professional schools
- Grants to service organizations
- Grants for media projects: To promote dance through the media.
- Communications Fund: Travel expenses of senior artistic and administrative staff for interchange with their counterparts across the country.

Music

- Operating Grants to Orchestras
- Project Grants to Orchestras
- Grants to Opera Companies and for Opera Training
- Grants to Professional Choirs
- Grants to Amateur Choirs
- Grants to Chamber Music Ensembles
- Grants for Contemporary Music
- Commissioning of Canadian Composers
- Grants to Individual Concert Societies
- Grants for Workshops
- Grants to National and Service Organizations

- Grants for Music in Artist-Run Centres
- Orchestra Managers' Training Program
- Grants for Recordings
- Communications Fund
- Other

Theatre

- Operating grants: Contribute to the overall activities of professional, non-profit theatre companies.
- Project grants: designed to cover all or part of the costs of single theatrical production.
- Playwrights-in-residence: Cover part of the salary of English-speaking playwrights and other writers invited to become more familiar with theatrical practices.
- Grants to service organizations: To support associations that serve and promote the interests of the professional theatre community.
- Production grants: To independent French-language groups of established artists formed for the purpose of mounting a new and original theatrical production.
- Communications fund: to theatre companies for travel expenses of playwrights, translators and adaptors to attend the first production.
- Grants to theatre schools.

Touring Office

- Touring Development: Through workshops, regional touring conferences, trade fairs (Contacts), and consultant services, the Touring Office stimulates touring by Canadian artists and arts organizations.
- Tour Coordination: Artists may request the services of the Touring Office for advice on touring matters or, occasionally, for the overall coordination of a tour.
- Touring Grants: These grants are made to Canadian performing artists and groups to cover the difference between the estimated cost of a tour outside their province and the projected revenues.
- Apprenticeship Program: These grants enable apprentices to study with experienced people in the fields of artists' management, tour management and organization.
- Concerts Canada: This program provides financial assistance to establish and maintain markets for Canadian musicians.
- Festival Program: The Festival Program subsidizes travel expenses for professional artists and ensembles to appear at established Canadian festivals outside their province.

- Cultural Exchanges: The Touring Office, in cooperation with the Department of External Affairs, provides services and grants for tours of foreign artists in Canada.
- Publications: The Touring Office publishes, in English and French, free of charge or at nominal fees, two facilities directories, a handbook for tour organizers and one for sponsors, a national media list and a "Bulletin".

CANADA COUNCIL
PERFORMING ARTS SECTION

OBSERVATIONS

Dance

Dance is the "parent pauvre" of the Canada Council. It is the sector which struggles the most to survive. From 1971 to 1982, the number of dance companies has decreased as well as the number of performances and spectators. Financially, however, the numbers are more favourable especially at the box office and for private support.

Based on information provided by the Canada Council, the following statements can be made:

- on the average, the total expenditures of a dance company and the cost of a performance are much higher than music or theatre;
- the ratio of expenditure by a company per dollar of subsidy shows that dance contributes less to the economy than music and theatre; and
- in music and theatre, support from the provinces is about the same as from the Canada Council. For dance, they contribute less than half.

Operating and project grants are dependent on the favourable assessment of senior representatives from the arts community. As their standards of excellence are very high, some significant regional companies, in terms of popular support, do not receive any grant as they do not meet these standards. This has created a fair amount of dissatisfaction and frustration within the dance community and the general public.

Music

Most of the funding is directed to professional classical music. Other types of music like jazz receive limited funding.

Major funding takes the form of operating grants to orchestras (13 in Canada). There is an incentive to keep deficits under control; when the deficit exceeds 30 per cent of total budget, the grant is automatically brought back to a "project" status.

In music, the key challenge for the Council is one of access. It is believed that increased participation by the public will be achieved through proper access to the medium and not by creating demand through an active "marketing" program. This is particularly true for the young generations at school level.

Compared to other performing arts sections, the percentage of this sections operating costs compared to its total budget is the lowest.

The music organizations seem to be the most successful of all in the area of fundraising. In 1982, for example, more than $2 million were raised by 42 organizations while 136 theatre companies raised only $1.9 million.

Theatre

Compared to other performing arts funded by the Canada Council (dance and music), theatre is the most significant in terms of funds allocated, number of organizations and spectators.

For obvious reasons, the theatre section is also, with the writing and publication section, the only one that has separate English and French programs. Consequently, the administrative costs are higher, in relative terms.

Compared to all ten sections of the Arts division, the total grant budget of the theatre section is the highest.

($ million/1983/84)

Theatre	14	Visual Arts	5
Music	13	Touring Office	4
Writing	10	Media Arts	3
Awards	9	Explorations	3
Dance	8	Art Bank	2

Responding to the needs of the theatre community, the rate of increase of the theatre grants budget over the last five years has also been the highest.

By using a number of ratios developed by the Research and Evaluation Division of the Canada Council over a period of 12 years (1971-1982), the financial performance of theatre companies in Canada appears to be the healthiest compared to dance and music. The following conclusions can be drawn:

- the so-called "income gap" (total expenditure minus earned revenue as percentage of total expenditure) is the lowest at 44 per cent, i.e., theatre groups rely less on public funding;
- box office revenue/spectator is also the lowest as well as the average number of spectators per performance. However, the number of performances per year is 20 times that for dance and 12 for music; and
- the average expenditure per company is lower than for dance and music;

Judging theatre expenditures as compared to dance and music, the economic impact of theatre as an industry is very significant. In 1982, for instance, 136 theatres spend $20 million, which is more than music and dance combined.

In the view of the study team the theatre infrastructure in Canada appears to be less than satisfactory. The problem is not the number of theatres but the type of facilities. Capital expenditures in this area are the responsibility of DOC at the federal level (Program of Cultural Initiatives).

Of all performing arts, theatre is the only one where privately-owned commercial companies exist. This shows the economic viability of this form of art. However, in relative terms, private support from fundraising is very low. In absolute terms, music received more support from the private sector than theatre in 1982.

Touring Office

Taking into account the geography of our country and the size of its population, the Touring Office is a very important both for artists and the general public. It is a unique instrument to ensure growth in arts participation and to increase the quality of the cultural activities.

The number of grants and amount in the various disciplines over five years is as follows:

($ million)

	79/80		**80/81**		**79/80**		**79/80**		**83/84**	
	$	**# of Grants**	**$**	**# of Grants**	**$**	**# of Grants**	**$**	**# of Grants**	**$**	**# of Grants**
Dance	.93	18	.57	11	.93	17	1.03	20	.96	16
Music	.82	54	.74	47	1.12	67	1.25	46	1.28	77
Theatre	.41	22	.58	34	.46	31	.55	29	.68	32
Other	.1	10	.1	15	.11	15	.39	46	.38	64
TOTAL	2.3	104	2.0	107	2.7	130	3.22	141	3.3	189

The council's policy has been to support a program of tours which reflects the needs of different regions and includes a balanced sampling of different disciplines. The real costs of touring vary considerably from region to region and the financial impact of tours on the touring companies also varies from discipline to discipline.

In theatre, with the exception of a very few companies whose vocation is touring, a tour is normally a special project carried out irregularly and outside the normal season. In music, touring is bread and butter for chamber groups, but a special (although ideally a regular) project for orchestras. In dance, touring is in many cases an essential component of every season. The Touring Office lives in a continuing tension between the requirement to maintain the program of tours which vary geographically and in content, and the necessity of enabling those artists who depend on annual tours to survive.

Because of the nature of its work, the Touring Office has developed a significant amount of business experience in the touring industry which could also be used in the promotion/marketing of performing arts.

The departments of External Affairs and the Secretary of State and some of provincial governments have similar programs. There is therefore an opportunity to consolidate this activity.

Another federal agency plays a significant role in this area. The National Arts Centre is indeed a key participant in touring activities in Canada. It has its own staff for arranging these activities.

It follows that there is an opportunity for the Touring Office in revenue generation as it could provide its services for a fee to parties other than touring companies.

EXPLORATIONS PROGRAM
CANADA COUNCIL

OBJECTIVE

To provide support to innovative, unusual or unproven ideas that otherwise might not be realized, in the fields of the performing or visual arts, research and writing, community animation, the applications of new technologies in the arts or experiments in new art forms.

AUTHORITY

Canada Council Act, 1957.

DESCRIPTION

The Explorations Program, established in 1973 to identify new needs, directions and forms of expression and participation in the arts provides grants to individuals or organizations for innovative projects within or outside traditional arts disciplines which contribute toward an understanding of Canada's cultural past or development of its cultural future. Explorations grants have funded film scripts, crafts workshops, biographies, slides and other art forms, popular writing, community-based cultural animation projects and local and regional histories.

Explorations is a multidisciplinary and project-oriented program. It does not give annual grants to sustain the activities of individuals or groups. It is unique among Council programs since it is the only program to operate on a regional basis. Applications are reviewed by one of six regional selection committees representing the Atlantic Provinces; Northern Canada; Ontario; Quebec; the Prairie Provinces; and British Columbia. These committees, made up of residents of the regions who can judge the potential value of each project to the region, recommend projects for assessment by a mational committee which determines their potential value to the nation as a whole.

Jury costs (honoraria and expenses) for the six Explorations selection committees for 1984/85 were $110,368, out of a total program administrative budget of $604,774.

The average size of grants in the past have ranged from $5,000 to $10,000, depending on the nature of the project proposed.

BENEFICIARIES

Non-profit art organizations, artists who are not eligible for other Canada Council grants, Canadian public.

EXPENDITURES

In 1985/86, resources totalled $2.3 million and 12 person-years.

OBSERVATIONS

While the number of persons administering the program may appear high in comparison to personnel in other Canada Council programs and in terms of the grant funds to be administered, this is probably due to the size and number of grants and the support necessary for the regional adjudication process.

ASSESSMENT

The program appears to be achieving its objectives as well as providing support in the transition from amateur to professional status. The program is particularly sensitive to the specific needs of artists in the regions and to the art needs of the regions.

OPTIONS

The study team recommends to the Task Force that the government consider maintaining and, if possible, enhancing the Explorations Program of the Canada Council.

ARTS AWARDS SERVICE
CANADA COUNCIL

OBJECTIVE

To make awards to persons in Canada for outstanding accomplishments in the arts.

AUTHORITY

The Canada Council Act, 1957.

DESCRIPTION

The visual and performing arts component of the Awards Service program provides grants on a competitive basis to individual artists and arts professionals in all art disciplines, including art administration, criticism and curating (visual and media arts). Grant applications are evaluated by independent juries and assessors.

A number of different types of grants are available under this program.

Arts Grants "A" are intended to provide artists who have made significant contributions to their discipline with free time for personal creative activity. The maximum amount available per artist for one year is $20,000.

Arts Grants "B" are intended to help artists improve their skills or work on personal creative projects at their own discretion. The maximum amount available per artist is $14,000.

Project Grants are intended to enable artists to continue to work on or to undertake a specific project. The maximum amount available per project is $4,000.

Travel Grants are intended to enable artists to travel on occasions important to their professional career, such as international competitions and exhibitions.

Grants are also available to classical music artists in mid-career, artists' studios in Paris, international representation and visiting foreign artists.

EXPENDITURES ($ million)

	1983/84	1984/85	1985/86	1986/87	1987/88
Program costs	9.1	8.0	8.3	8.3	n/a
Person-years	32	32	32	32	n/a

BENEFICIARIES

All artistic disciplines and artists.

OBSERVATIONS/ASSESSMENT

This is the key Canada Council program available to individual artists: 80 per cent of Canada Council grants are allocated to organizations, in comparison to 20 per cent to individual artists.

Administrative costs of the program are within the range (19 per cent) of other Canada Council programs. The jury selection process used is the same as for all other Canada Council program. (See the separate assessment of the Canada Council.)

In view of the diversity of the disciplines that the program serves, the study team finds it is difficult to assess its impact and the appropriateness of the grants allocated to each discipline. However, grant allocations appear to be responsive to proposed applications rather than established in advance to meet objectives for sectoral areas. The study team believes that an assessment of needs in each sectoral area would provide a better framework and priorities within which to allocate arts awards grants. It is the study team's view that an independent impact assessment analysis should be undertaken to determine the program's effectiveness.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The Canada Council be requested to undertake a needs assessment study to determine what form and level of assistance to individual artists is required in the various disciplines and whether the current program can meet these needs.

2. An independent impact assessment analysis be undertaken to determine the effectiveness of the program.

NATIONAL ARTS CENTRE

OBJECTIVE

To promote the development of the performing arts; to operate and maintain the National Arts Centre (NAC), to develop the performing arts in the National Capital Region and to assist the Canada Council in the development of the performing arts elsewhere in Canada.

AUTHORITY

The National Arts Centre Act (1966-67)

DESCRIPTION

The NAC is one of the four cultural agencies exempt from the crown corporation provisions of the Financial Administration Act. It reports to Parliament through the Minister of Communications. The centre is governed by a Board of Trustees (16), appointed by Order-in-Council. A Director General, selected and appointed by the board, reports to the Board of Trustees and manages a structure composed of six divisions: three programming departments (music, theatre and dance) and three support divisions (operations, communications and administration).

The accounts and financial transactions of the corporation are audited annually by the Auditor General of Canada and a report made to the Chairman of the corporation. The Auditor General's first comprehensive audit will be completed in March, 1986.

The corporation arranges for and sponsors performing arts activities at the centre; arranges for or sponsors radio and television broadcasts and the showing of films in the centre; provides facilities at the centre for performing arts companies and arranges for performances elsewhere in Canada.

In addition, the centre operates one classical-size symphony which performs at the centre and throughout Canada and abroad.

The NAC building is owned by Public Works and leased to the National Arts Centre Corporation for a 20-year period which expires in 1989. The NAC does not pay rent but is responsible for all maintenance costs.

For the year 1985/86, there are 304 full-time employees. However, casual/temporary employment is very significant. During peak periods, such as prime tourist season (July), the work force (permanent and temporary) can total close to 700.

BENEFICIARIES

The performing arts community of Canada; National Capital Region residents; tourists; the government (activities related to visits by Heads of State); and other Canadians (from NAC Orchestra touring activities.)

EXPENDITURES

($ million)

	1983/84	**1984/85**	**1985/86**	**1986/87**	**1987/88**
Parliamentary appropriation*	14.4	14.8	14.6	14.5	14.3
Person-years (non-controlled)	384	429	429	429	429

* The parliamentary appropriation represents about 53 per cent of operating expenditures in 1985/86.

OBSERVATIONS

The NAC was conceived as the flagship of the Canadian performing arts and its opening coincided with Canada's Centennial celebrations.

The first board had three initial options for the Centre: 1) a rental facility, such as Montreal's Place des Arts; 2) a subsidized performance centre for Canadian artistic ensembles; and 3) a creative organization. Following advice from senior members of the artistic community, the board adopted a mix of these options: the NAC was to become a showcase for Canadian artistic excellence and a creative organization. In fact, as a national cultural institution, the NAC has no equivalent in Canada and possibly the world. Its overall performance must be assessed in this particular context.

The management of the centre claims that its administrative performance is good, taking into account the size of the National Capital Region population and of the facilities. It considers the centre's earned revenue ratio (revenue vs. subsidies) to be satisfactory. Although the National Arts Centre Orchestra (NACO) has not achieved the objective it set for itself to cover 50 per cent of its expenditures, its 30 per cent rate compares favourably with the important orchestra companies in Canada, who on average recovered only 27.5 per cent of their expenditures. The NACO's rate, however, should be seen in the context of its relatively small size and the fact that it pays no rent. In 1984, the NAC English Theatre Department covered 34.9 per cent of its total costs, a net improvement over 28.4 per cent in 1982. The NAC French Theatre has, in its best year, recovered only 22.2 per cent of its expenditures.

Federal appropriations to the NAC have remained constant since 1976, covering about 55 per cent of the NAC gross expenditures. This level of funding has forced the NAC, in struggling with increasing maintenance and administrative costs, to reduce extensively its performing art programs by closing its opera program and its in-house theatre productions in 1984. The additional $1 million expenditure reduction in November 1984 and the elimination of inflation adjustments on operating costs will have the combined effect of reducing the level of subsidy to the NAC to 51 per cent by 1987/88. Moreover, NAC anticipates that some $4 million worth of major building repairs are urgently required and a submission has been made to Treasury Board to obtain the necessary funding.

Reacting to this situation, NAC management has implemented another cost reduction program to reduce its expenses by $7.0 million and staff by 55 permanent positions over the next four years.

As a matter of policy, the NAC does not seek private funding. There have been a few exceptions. It claims that the present composition of the Board of Trustees, the absence of large corporations in Ottawa/Hull and the expected negative attitude of the private sector toward the funding of a federal crown corporation are said to prevent the NAC from pursuing this avenue of alternate financing.

Despite its obvious contribution to the development of the regional cultural life, the Ontario Government provides no funding for the NAC. The Regional Municipality of Ottawa-Carleton provided $255,000 to the Centre in 1984/85.

ASSESSMENT

The impact of the National Arts Centre does not extend beyond the National Capital Region. The NAC is perceived by performing arts companies as a regional art centre, like the Place des Arts in Montreal. Touring companies in Canada do not consider the NAC as a central point when they tour.

Three factors have a significant negative impact on the financial performance of the Centre: ongoing and anticipated maintenance and operation requirements of the building itself; the NAC's direct involvement with an in-house orchestra; and the limited size of the centre's clientele, actual and potential, compared to the size of the facilities. These impediments are weakening the NAC to a point where its existence can be questioned.

If the Board of Trustee's interpretation of the NAC legislative mandate (i.e. that the NAC should remain both a showcase for Canadian artistic excellence and an artistic organization) continues to apply, the NAC would require ever increasing Parliamentary appropriations.

The study team is of the opinion that the NAC should become more aggressive in seeking private sector funding. A growing number of corporations are now looking at sponsorship of cultural events as a means to promote their public image and are prepared to commit more of their advertising/marketing budget accordingly. The importance of Ottawa makes it attractive for large corporations operating in Canada to be visible in the National Capital Region.

To tap this alternative source of funding and to access other government funding programs, it is the study team's view that NACO should be operated as any other orchestra in Canada. This means that the NACO would become independent of the NAC and managed by its own Board of Directors. It could then seek funds from the Canada Council, the Ontario Arts Council and the private sector. It would also lease the NAC facilities for its performances in Ottawa.

Without direct involvement in the operation of the orchestra, the study team believes that a limited staff will be required to arrange for performances at the NAC by Canadian and foreign companies (music, theatre, dance and variety) and for coproductions with other cultural centres in Canada. These functions should be undertaken in close association with the Touring Office of the Canada Council.

As to the maintenance and operation of the Centre, the study team has concluded that significant economies of scale and an increased level of efficiency could be achieved if these functions were assigned to the National Capital Commission (NCC).

The mandates of the NAC and NCC are somewhat similar insofar as the promotion of the national capital through cultural activities is concerned. Furthermore, the NCC already operates a number of facilities in the National Capital Region. In the study team's opinion the NCC could well be given responsibility for the management of the NAC facilities. The NCC could integrate the NAC cultural program into its own activities to the benefit of the National Capital Region population and tourists. The study team realizes that this proposal concurs with the Real Property Study Team proposals dealing with the role of the NCC.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. Develop before the end of this year proposals under which:
   - a. Management of the NAC building and resources would be transferred to the NCC with the appropriate rationalization of positions.
   - b. The operation of the garage and restaurants would be contracted out to the private sector on behalf of the NCC.
   - c. The NCC would be mandated to develop an action plan aimed at integrating the NAC activities in the cultural and tourism streams of the National Capital Region and at making the NAC a focal point of Canadian performing art companies on tour.
   - d. The programming activities of the NAC would be turned over to the private sector with a directive that the services of the Touring Office of the Canada Council be used to pursue opportunities for coproduction with other art centres on behalf of the NCC.

2. Dismantle the National Arts Centre Corporation and repeal the National Arts Centre Act.

3. The NACO become an independent orchestra similar to the Toronto Symphony Orchestra, in terms of organization and sources of funding.

ANNEX I

OPERATING REVENUE	1983/84	1982/83	1981/82
	($ million)		
Performing arts programmes	7.3	6.3	5.4
Restaurants	2.7	2.4	2.1
Garage	1.3	1.1	1.0
Rentals	0.3	0.3	0.3
Other	0.9	0.7	0.6
TOTAL	12.5	10.8	9.4
OPERATING EXPENSES			
Performing arts programmes	18.0	16.4	15.1
Restaurants	2.8	2.4	2.1
Garage	0.4	0.3	0.3
Operation of the building	3.5	4.3	3.4
Administrative services	3.8	3.8	3.4
TOTAL	28.5	27.2	24.3
Other Income	0.9	1.3	1.6
Excess of Expenses Over Revenue before Parliamentary Appropriation - Operating and Extraordinary Items	15.1	15.1	13.3
Parliamentary Appropriation	14.6	14.0	12.6
Excess of Expenses over Revenue before Extraordinary Items	0.5	1.1	0.7

PUBLIC ACTIVITIES
NATIONAL CAPITAL COMMISSION (NCC)

OBJECTIVE

To encourage Canadians to participate in the life of, and appreciate the symbolism and functional importance of the Nation's Capital, so as to stimulate a sense of national identity and pride.

AUTHORITY

National Capital Commission Act, 1958.

DESCRIPTION

The cultural and recreational activities, heritage and nature interpretation and information services of the National Capital Commission (NCC) seek to encourage Canadians and others to become more aware of Canada's capital and its symbolic representation of the nation's regional and cultural diversity.

Information/Communications Services

As a vital service for visitors and potential visitors to the Capital, the NCC publishes and distributes various informational materials; operates visitor reception centres, kiosks and touring exhibits; and undertakes a multi-faceted media communications campaign designed to inform and orient Canadians and international visitors to the Capital's various attractions and visitor-related services.

Heritage and Native Interpretation Services

The political and symbolic aspects of Canada's seat of Government are introduced to visitors through the provision of major spectacles, guided tours and exhibits such as the 'Sound and Light' presentation and, interpretation facilities on Parliament Hill and at the Mackenzie King Estate.

The cultural heritage of Canada in the National Capital Region (NCR) is represented by a number of heritage activities, such as the programs of the Log Farm, Durham boat, Wakefield steam train and the Wakefield mill. The NCC also supports the Federal Heritage Buildings Review process in the NCR, undertakes heritage research and maintains a heritage inventory for reference purposes.

Canada's landscape and the "green capital" are the themes underlying the delivery of nature interpretation programs and services in Gatineau Park and the Greenbelt area in the NCR through four NCC nature interpretation centres.

National Capital Events and Activities

As a focal point for Canadian culture, the Capital serves as a meeting place for national celebrations and ceremonies. The NCC has directly sponsored or cooperated with other agencies and organizations in the development of a balanced and dynamic program of national and regional/local events of interest to visitors and residents alike. National events are an essential ingredient in bringing to life the capital's uniqueness and are receiving wider national and international recognition and participation. For example, the NCC is the principal sponsor of major events, which include Winterlude, Canada Day, and the Canada Canoe Festival and assists in the production of others as well, such as the Franco-Ontarian Festival.

In addition, the NCC offers logistical and limited financial support to various cultural events of a regional/local nature, including the Ottawa Jazz Festival, the Italian Festival and the Spring Festival. This support, in the form of limited financial contributions and/or the loaning of NCC facilities, helps to enliven the Capital's cultural life.

Recreational Facilities

The NCC operates a network of multi-purpose recreational pathways (bicycling, walking, skiing), camping facilities, picnic areas and beaches throughout the National Capital Region. The NCC also manages the Rideau Canal skateway and associated facilities. Recreational amenities are provided both directly and through leasing agreements with local and regional agencies (e.g. Nepean-Ottawa Campground, Leamy Lake campground, Mooney's Bay, etc.).

The Public Activities program accounts for approximately 10 per cent of the Commission's 1985/86 operating expenditures and 8 per cent of its person-years. It is the smallest of all divisions and the most recently established.

EXPENDITURES

	83/84	84/85	85/86	86/87*	87/88*
	($ million)				
Personnel Costs	3.2	4.7	3.0	3.1	3.1
Goods and Services	5.3	4.7	2.8	3.0	3.0
Capital Expenditures	3.0	3.3	2.8	1.5	1.4
Cost Shared Projects	.0	.2	.1	.1	.1
TOTAL	11.5	12.9	8.7	7.7	7.6
Person-years	n/a	n/a	84	n/a	n/a

BENEFICIARIES

Residents and the business community of the National Capital Region; tourists.

OBSERVATIONS

The NCC is examining possible areas for greater user-pay or cost recovery in recreation, particularly for those facilities where the benefits accrue primarily to local residents.

Many of the events and activities undertaken are for the purpose of communicating the symbolic importance of the capital to all Canadians. Major drawing events to the NCC have been the Canada Canoe Festival (110,000 persons), Gatineau 55 (1,500), Canada Day (370,000), and Winterlude (450,000). This last event alone, with an investment of $2 million, attracted $12 million to the National Capital Region and an equivalent amount outside of the area.

NCC is seeking a stronger coordination mandate to work with government departments and agencies to bring about a mutually agreeable schedule of events and activities and to reap the maximum benefits.

The NCC must maintain the goodwill and support of local and regional communities in the pursuit of federal objectives in the capital. However, there is considerable reluctance on the part of the municipalities and the private sector to provide funds to the NCC to undertake recreational and cultural activities. The NCC is exploring avenues to overcome this problem, including the creation of a non-profit organization with financial responsibilities for these events.

ASSESSMENT

To date, the NCC has not been successful in obtaining financial assistance to any significant degree from local municipalities in Ottawa-Carleton and the Outaouais to carry out the events and activities which have and continue to bring major economic benefits to the region. It is the study team's view that, unless strong pressure is applied to Ottawa-Hull municipalities, no major change in their approach to contribute financially to the NCC will occur. The study team suggests that only the gradual withdrawal of the NCC from some events and activities (other than Canada Day) in the region would create such a pressure.

The team supports the NCC's request for a stronger coordination mandate since this will provide a more integrated approach to the planning and development of the National Capital Region and its recreational and cultural activities. The team also supports the initiatives taken by the NCC to use the electronic media to heighten Canada's awareness and appreciation of the National Capital Region.

OPTIONS

The study team recommends to the Task Force that the government consider developing a strategy to induce the financial participation of other levels of government in those of its activities which bring economic benefits and have a cultural impact on residents and businesses of the National Capital Region.

PERFORMING AND VISUAL ARTS PROGRAM
SECRETARY OF STATE

OBJECTIVE

To promote the sharing and appreciation of all cultures heritage through performing and visual arts projects that reflect Canada's multicultural nature.

AUTHORITY

Citizenship and Culture Vote: Multiculturalism Activity (Secretary of State Act and Policy, 1971)

DESCRIPTION

The program funds projects devoted to the preservation and promotion of heritage skills and the use of performing and visual arts as a vehicle for better cross-cultural understanding. This year, the program funded among others: the Canadian Heritage Festival (held in Prince Edward Island); films on race relations; theatre productions on immigration and social issues; and audio-visual productions on multiculturalism in education; the Canadian Folk Arts Council, the National Multicultural Theatre Association (with operational funding); and other film and video projects, a number of which have received national exposure on television. Joint funding with provincial arts councils and the Canada Council is encouraged by program officials.

The program is also used to assist some amateur performing arts groups attain professional status and to support participation at major cultural events with a multicultural component (Festival of Festivals, 1986 Heritage Festival).

A new orientation of this program is to encourage greater and more active participation of the ethnocultural community and artists in the contemporary arts scene in major cultural events and to sensitize mainstream federal cultural agencies and the arts community, more generally, to the presence and potential of ethnocultural groups in the arts.

EXPENDITURES

	($ million) 1983/84	1984/85	1985/86	1986/87	1987/88
TOTAL	1.8	2.0	1.9	1.8	1.8

BENEFICIARIES

The ethnocultural community; performing and visual arts performers and producers; public and private broadcasters; educational institutions; the public.

OBSERVATIONS

As opposed to the Canada Council's assistance to contemporary performing and visual arts, the emphasis in this program is on ethnocultural heritage and traditional forms of expression. Where complementary funding is possible, the federal level always cooperates with provincial or local authorities to find the resources requested. The share of federal funding accounts for less than 5 per cent of total funding in this area.

Major cultural events or festivals having a multiculturalism component are also funded under the Department of Communications in the program of Cultural Initiatives, Tourism Canada, and the Canada Council through the Explorations program, which provides assistance to emerging groups, including ethnic groups, in the performing arts. (See the assessment of the Canada Council Explorations program.)

ASSESSMENT

This multiculturalism program contributes to heightening Canadians' awareness of the diversity of cultural expression in this country. Most of the issues dealt with in this program are the same as in the Intercultural Communications Program. (See the assessment of the Secretary of State's Multiculturalism Program)

In the view of the study team, the program's new orientation to increase ethnocultural presence in the contemporary art sector indicates a lack of sensitivity on the part of mainstream cultural organizations to the multiculturalism objectives of the government and the need for minority groups to be considered as valuable contributors to the arts in Canada.

The study team believes that the goals and objectives of the multiculturalism policy should be an integral part of all government institutions. Ethnocultural groups can make an important contribution to the Canadian arts and can now compete successfully. The government may wish to direct federal departments and cultural agencies such as the Canada Council to better reflect the composition of Canadian society in their funding decisions.

Consistent with comments elsewhere, the study team concludes that federal funding of two national organizations (Canadian Folk Arts Council and the National Multicultural Theatre Association) should cease and members of these associations should fund them completely, so that the associations may be tied more closely to the needs and priorities of their constituents. In addition, the study team concludes that duplication occurs in the funding of the Canadian Folk Arts Council with DOC's Program of Cultural Initiatives.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The Performing and Visual Arts program be terminated.

2. Multicultural groups and artists in the visual and performing arts in need of financial assistance be directed to the Canada Council or to other federal multiculturalism programs.

3. Government departments and cultural agencies be directed to be more sensitive to the needs and aspirations of ethnocultural groups in the performing and visual arts.

CULTURAL POLICY AND ARTS PROMOTION DIVISIONS
EXTERNAL AFFAIRS

OBJECTIVE

To increase the awareness of Canada abroad; to coordinate the provinces' involvement in international relations and to give direction to the cultural, immigration and consular programs of the department.

AUTHORITY

Department of External Affairs Act, 1983.

DESCRIPTION

The Cultural Policy Division, established in 1983, formulates and reviews policies on international cultural relations and coordinates international cultural relations, including those aimed at fostering markets for exports of cultural products. This division also provides advice, support and orientation to External Affairs geographic bureaus responsible for the implementation of cultural programs outside Canada. However, all resources for the implementation of cultural activities are controlled by the geographic bureaus.

The Arts Promotion Division provides major support for international art activities and gives grants for the international circulation of exhibitions, pretours, art fairs and special events. The division also is responsible for overseeing the programming for cultural centres located in London, Paris, Brussels, Rome and New York.

Within the division, a performing arts section, with a program budget of $1.3 million in 1985/86, provides grants for artists and major, small- and medium-sized companies artists and to tour, mostly in Western Europe, United States and Japan. It also provides grants for visits to international conferences, to prospective buyers of Canadian cultural activities and for participation in showcases.

The Visual Arts program (including film), with a budget of $0.6 million in 1985/86, focusses primarily on small and medium sized solo and group exhibitions (at an average cost of $50,000), located mainly in the cultural centres. It uses its own collections and borrows exhibitions from other galleries. It has 17 art collections, consisting of 592 pieces (purchased for $0.4 million and now having an estimated market value of $1 million).

The Canadian cultural centres in Paris, London, Rome and New York City are physically separate from the corresponding embassy or consulate-general, and all have separate managements. They serve as a clearing-house for information on Canadian culture and help to create a dialogue with the host country on a full range of cultural issues. The size and scope of the centres vary considerably, largely as a function of history and the country's economic importance to Canada.

It should be noted that the grants and programming costs of the cultural centres and some consulates ($1.3M) are part of the Arts Promotion budget. However, all administration, operational and maintenance costs are derived from other External Affairs budgets outside the Culture, Public Affairs and Information Bureau.

EXPENDITURES

Cultural Policy Division: Program Costs*

			($ million)		
	1983/84	**1984/85**	**1985/86**	**1986/87**	**1987/88**
Grants	0.3	0.1	0.2	0.2	0.2
Capital	0.1	0.9	0.8	0.8	0.8
Salaries	0.3	0.3	0.3	0.3	0.3
TOTAL	0.7	1.3	1.3	1.3	1.3
Person-years	7	7	7	7	7

* Excludes administration, operation and maintenance costs.

Arts Promotion Division: Program costs*

			($ million)		
	1983/84	**1984/85**	**1985/86**	**1986/87**	**1987/88**
Grants	2.4	3.6	2.4	2.3	2.3
Operations	1.2	1.6	1.2	1.2	2.3
Capital	.6	.2	.6	.6	.5
Salaries	.4	.4	.4	.4	.4
TOTAL	4.6	5.8	4.6	4.5	4.5
Person-years	9	9	9	9	9

* Excludes administration, operation and maintenance costs.

BENEFICIARIES

Canadian artists (international exposure and access to markets); the government.

OBSERVATIONS

The following figures show the order of magnitude of federal government support for international cultural relations: In 1983/84, $6 million was spent on international activity in the arts: External Affairs ($4.2 million), Canada Council ($.7 million), DOC ($.5 million), National Museums of Canada ($.6 million). In addition, External Affairs spent $3.6 million on information programs abroad which were partly oriented to the Arts. The Canada Council estimated that $1.8 million of its grants to individual artists was spent abroad.

In 1983/84, almost 80 per cent of total art promotion expenditures were for activities that took place either in Western Europe or the United States. Of this percentage, 24 per cent was spent in France and 22 per cent in the U.S. Only 4 per cent of promotions funds went to Japan and 3 per cent to China.

According to External Affairs, the cultural sector continues to run a serious balance of payments deficit primarily with the U.S. Canada imports seven times as many books as it exports and four times as many television programs. As more cultural products become available on international markets through more channels (videotapes, sound recording, etc.), this deficit will increase, unless special efforts are undertaken.

In 1984/85, the government allocated an additional $2.4 million for international cultural relations on condition that the program be resubmitted for approval for each of the three subsequent years. At that time, the Department of External Affairs, in conjunction with the Department of Communications, was requested to study the area to:

1. Define the current roles and authorities of External Affairs, Communications and the cultural agencies for international cultural programs.

2. Describe the range and scope of current international cultural programs of the federal and provincial governments as they relate to foreign policy objectives.

3. Assess the effectiveness of the existing set of arrangements with particular attention to the promotion and marketing of cultural products.

4. Examine how best to harmonize international cultural activities at the federal and provincial levels of government.

5. To advise the government on the appropriate level of funding for External Affairs' cultural programs abroad.

Although the report was requested for the summer of 1984, it is still in a developmental stage. As a result, External Affairs cannot access the $1.8 million nominally put aside for international cultural relations in 1985/86. It should be mentioned that the approval to undertake this project was largely based on the premise that these new funds would act as a lever to obtain increased participation from both the private sector and provincial governments.

A program evaluation conducted in 1984 by independent consultants questioned the benefits, effectiveness and pertinence of the cultural centres and noted the lack of an international cultural relations policy against which they could be assessed. The Canadian artistic community, based on a limited sample interviewed, perceives the centres to be peripheral to the mainstream of cultural activities.

Some provinces, notably Québec, Ontario and Alberta are active on the European cultural scene, although they do not enjoy the same facilities as the federal government. However, in places such as Rome and London, the cultural centres provide space for provincial projects.

Other countries (France, Germany, Britain) spend large amounts on cultural centres, chiefly with the object of aiding foreign policy and political objectives (respectively over $90 million, $90 million, $45 million in 1983/84.)

The Canadian cultural centres abroad exist primarily for domestic purposes: that is, the development of careers of individual artists and of artistic companies through experience abroad and opportunities for foreign appearances. External Affairs is in the midst of both a review of its posts' resource allocations and of international cultural relations, which will have an impact on the role of the cultural centres.

ASSESSMENT

Cultural Promotion Abroad

The Culture, Public Affairs and Information Bureau has a total expenditure of $24 million of which only $5.7 million (excluding academic relations) is directly allocated to culture. In the view of the study team, this modest budget for cultural activities raises questions as to the commitment of the Department of External Affairs to international cultural relations and the promotion of Canadian culture abroad. The department gives as much to UNESCO in contributions, and it spends more on protocol than in promoting Canadian culture abroad. The recent consultation paper on Canadian foreign policy does not allude to culture or its role in international relations.

There is no doubt that an international promotion program is required since the Canadian artistic community is still relatively unknown abroad and finds it difficult to penetrate the highly structured and competitive international cultural market.

It is the study team's view that the functions of promotion and development of artists on the international scene would be better accomplished by a government organization which had the mandate to promote uniquely artistic quality. The study team concludes that the Touring Office of the Canada Council could well serve this purpose and has the staff, knowledge and expertise to carry out this function. The study team suggests that grants provided by External Affairs for performing arts companies to tour, as well as the grants for exhibitions, conferences, cultural activities, assistance to writers, etc., should be transferred to and administered by the Touring Office. External Affairs should cease providing financial assistance (grants) to any groups and any programming in the cultural centres to promote Canadian culture abroad. However, the study team feels that there is an important role for External Affairs in the selection of organizations or artists to tour abroad. In fact, the study team concludes External Affairs should retain a veto right in this regard.

External Affairs is involved in cultural affairs abroad as a means of achieving and pursuing foreign policy objectives. As such, its programming is subject to requirements over and above concerns of artistic quality. Canadian staff officers abroad are not sufficiently sensitive to or informed about Canadian cultural products and industries to take advantage of potential markets. It became evident during consultations with visual and performing arts companies and Canadian publishers and writers, that they felt much more could be done by officers in the geographic bureaus abroad to attract tourists to Canada to see our theatre productions and art exhibitions. The study team suggests that cultural affairs activities undertaken by the geographic bureaus abroad should have a status equal to tourism, trade and economic development activities and that the linkages between culture, trade, tourism and economic promotion should be significantly improved.

Provincial and Private Sector Roles

A number of provinces have cultural activities abroad. For instance, Quebec has undertaken cultural programs in many francophone countries throughout the world and, in addition, in Latin America and the U.S. Ontario undertakes cultural programs in Western Europe which have been praised by many during the study team consultations. External Affairs officers consulted have given the impression that such activities may distort foreign perception of Canada's political economic and cultural character. Although there are many economic and political benefits to be derived from having both levels of government represented abroad, the study team concludes that there is a need for improved coordination and a delineation of responsibilities between the federal and provincial governments on the international cultural front.

The study team feels that the private sector should be encouraged to play a more significant role in marketing cultural products and Canadian artists and writers abroad, by identifying markets, sponsoring activities and encouraging cultural trade. Increased and visible participation of the private sector would also reduce the possible perception of government 'propaganda' in support of a particular cultural activity. If leverage is necessary to obtain private sector involvement, the government should be prepared initially to offer some financial incentives for a very limited period.

Art Acquisition

The study team questions whether there is a legitimate rationale for the Arts Promotion Division of External Affairs to have its own collections of contemporary Canadian art and its own acquisition funds. In addition, the Bureau of Physical Resources of External Affairs also has a collection of 3,000 pieces which is on semi-permanent display. The study team concludes that these collections should be transferred to the Canada Council Art Bank and that External Affairs should use the Art Bank for its acquisitions, exhibitions and semi-permanent displays. (It would retain the responsibility to crate and ship its collections abroad.)

Cultural Centres

The resources to support the four cultural centres are estimated at $4 million and 50 persons, with an additional re-furbishment and repair requirement in 1985/86 and 1986/87 of $2 million per year. In countries where Canadian cultural centres do not exist, the function is assumed by the post. In addition, in most of the cultural centres except London, the responsibilities for cultural programs and activities are split between the centre and the post without being fully integrated and coordinated which, of course, reduces the potential cultural impact.

The study team heard ambivalent or negative attitudes toward the cultural centres. The key to achieving a cultural impact abroad is considered to be more a function of competent personnel than of physical facilities, as the provincial experience seems to prove. The cultural centres appear to be used more by Canadians abroad than foreigners. It is not evident whether other means to help create a Canadian presence abroad could have been at least equally successful.

It is the study team's view that the functions carried out by cultural centres could be undertaken by the local consulate or embassy. The funds devoted to cultural centres could be more effectively used by the Canada Council Touring Office to subsidize directly the touring of visual and performing arts organizations or exhibitions. The study team feels that the concept of a marketing agency for the visual and performing arts, as is presently available to the film sector, should be explored.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. With reference to the review of international cultural relations:

    a. There should be a focus on a coordinating role for External Affairs in Canada's international cultural relations rather than on a granting role.

    b. The Arts Promotion Division should be dismantled.

    c. The mandate of the Touring Office of the Canada Council should be expanded to assume the grants programming and related cultural assistance activities of the Arts Promotion Division of the Department of External Affairs and program funds be transferred to the Canada Council from the Department of External Affairs for the purpose of assisting Canadian artists and writers touring abroad.

    d. While ceasing all granting activities, the Department of External Affairs retain a veto right in the selection of organizations, artists or exhibitions to tour abroad.

2. Other cultural affairs activities undertaken abroad by the geographic bureaus of the Department of External Affairs be strengthened to ensure better representation of the interests of Canada's cultural industries and better integration of cultural development objectives in tourism, trade and economic develoment activities undertaken to further Canada's foreign policy objectives; post personnel be subject to more extensive training and orientation on cultural affairs and industries' concerns.

3. In consultation with the provinces and in the context of international cultural relations review, develop a strategy to improve coordination and delineation of respective federal and

provincial roles in international cultural affairs.

4. Dismantle all cultural centres and their functions be assumed by embassies and/or consulates.

5. The Department of External Affairs use the acquisition services and works of art of the Canada Council Art Bank and of other art galleries for displays and exhibitions and that the Department's art collections be transferred to the Art Bank with the proviso that these collections be made available for exhibitions and that the Department no longer be provided with a contemporary art acquisition budget; the department retain its responsibility to crate and ship the collections abroad.

6. Develop a strategy for the promotion and marketing of cultural products domestically and abroad, including the identification of the advantages and disadvantages associated with the designation of these responsibilities to the Touring Office of the Canada Council.

PROGRAM OF CULTURAL INITIATIVES
DEPARTMENT OF COMMUNICATIONS

OBJECTIVE

To increase access to the performing and visual arts and to Canada's cultural heritage; to encourage the improvement of management skills and systems in the cultural sector; and to encourage increased provincial and private sector support to cultural facilities and activities.

AUTHORITY

The Department of Communications Act.

DESCRIPTION

The Program of Cultural Initiatives (PCI), formerly called the Special Program of Cultural Initiatives (SPCI), is designed to provide financial support to Canadian non-profit cultural organizations for qualifying projects in the following fields of activity:

a. The development and application of new communications technologies and of management skills in the operations and activities of cultural organizations.

b. The construction of new facilities, the renovation and restoration of existing facilities, and the upgrading or purchasing of sound, lighting and environmental equipment.

c. The sponsorship of cultural events or activities of national character or significance.

The program staff receives and evaluates approximately 600 grant applications per year. An average of 225 per year are approved by the minister for funding.

EXPENDITURES

	($ million)				
	1983/84	1984/85	1985/86	1986/87	1987/88
Program Costs	8.8	14.5	29.0	18.0	17.3
Person-years	8	10	10	10	10

Grants and contributions are about 93 per cent of total program costs in 1985/86.

BENEFICIARIES

Museums; art galleries; visual and performing arts organizations; managers in the arts; the Canadian public.

OBSERVATIONS/ ASSESSMENTS

In 1980, the Federal government agreed to vacate the field of lotteries in exchange for an annual payment from the provinces. Fifty per cent of these funds went to create the Special Program of Cultural Initiatives (SPCI). In May 1984, the government confirmed the use of these payments from the provinces to support the activities of the PCI. The commitments made under the SPCI will be paid out over a two-year transition period (1985/86 and 1986/87). The SPCI will cease to exist at that point. New commitments will only be made under the PCI, which has been approved at an ongoing level of $16 million by Treasury Board.

A program evaluation on the SPCI, undertaken in 1984, indicated that the program's aim to increase access by Canadians to the performing and visual arts and to heritage activities had not generally been achieved, although the program's rationale proved to be valid and the capital project assistance funding had contributed to increased facilities and therefore increased participation. The evaluation report also noted there was confusion in the cultural community between the role of the SPCI and the programs of the Canada Council and of the National Museums of Canada.

Financial support to special events, activities, conferences, symposia and festivals is used to increase the visibility of the Canadian cultural community and to increase different forms of cultural expression. Since 1980, ninety-eight festivals have received financial assistance.

As a result of the evaluation, the new PCI program has established more selective guidelines to avoid creating a dependency on federal funding. For example, it requires the participation of at least three provinces in special activities prior to funding and it funds art festivals only if they are the primary means by which the community would have access to professional performing and visual arts. In addition, any event returning a second year must show increased private sector funding, decreased administrative costs, and an expansion of activity.

Over half of all the SPCI budget in 1984/85 went to Quebec while 26 per cent went to Ontario. In 1984/85, over 90 per cent of the capital funding went to the same two provinces. SPCI continues to favour certain regions of Canada. Although this skewing may have been caused by forced provincial participation and particular regional needs, a national program should have been able to take steps to balance funding across the country.

The program no longer requires that provinces make a commitment to cost-sharing on capital assistance to cultural facilities. Evidently, some provinces felt this requirement obviated their ability to support other, non-SPCI funded projects which they had identified as more desirable. The PCI will now fund projects without the participation of the provincial governments if it feels that the project meets the program's goals. The study team disagrees with this change. It believes that collaboration between the federal and provincial governments is essential on all major capital projects and more long-term planning and cooperation should take place. To this end, the federal government should collaborate with the provinces to establish an inventory of needs for long-term capital assistance and infrastructure maintenance. Assistance should only be made available if the project has been included on the inventory and the province is willing to share in the costs of the project.

The decisions on major capital expenditures for the cultural sector should be the responsibility of the Minister of Communications as such contributions are usually made according to a range of economic, regional and cultural criteria and usually require agreements with provincial governments. The capital assistance provided to museums and galleries partially duplicates the assistance available from the Museum Assistance Programs of the National Museums of Canada (NMC). The Canada Council (CC) does not give capital funding but its operational funding programs are affected by capital decisions. The DOC adjudication process does not involve the professionals at the NMC or CC and duplicates administrative systems already established. The study team suggests that an overall strategy for all financial assistance should be developed by DOC, in collaboration with the National Museums of Canada and the Canada Council. It should address the question of the role of the federal government in supporting the capital and operational funding and the respective roles of the provinces and the private sector. It is also the study team's view that major capital projects and ongoing operational funding should be an integral part of a federal/provincial planning agreement along the lines of the ERDA's Planning Agreement model.

The funding of service organizations and advocacy groups is not part of the objectives of the PCI and yet funds from this program are being used to support such groups. As stated in its analysis on similar activities at the Department of the Secretary of State, the study team believes that service and advocacy organizations should be funded by members of the organizations so that they stay relevant to their constituencies.

As reiterated many times during consultations with arts groups across the country, management development, and to a lesser extent the application of advanced technologies, is a priority in the cultural sector. PCI has acknowledged this by setting up a separate component. Unfortunately, the component overlaps with programs and initiatives of a number of the cultural agencies and there appears to be little consultation taking place. In the view of the study team management development and enhanced communications initiatives must be undertaken with the advice and involvement of professionals from the various cultural sectors. They must also be closely linked to an assessment of the operational needs and plans of an organization. The Canada Council and the National Museums of Canada, like cultural agencies in other sectors, because of their ongoing involvement with cultural organizations, are in a good position to know about and develop plans to meet management and technological needs. Regardless of who actually manages the grants programs, the professionals in the cultural agencies should be involved heavily in their application.

The eligibility criteria of the special events component of the PCI seem to allow for the funding of almost any major cultural event and creates a dependency on the federal government in repetitive events. It is the view of the study team that the eligibility criteria need to become more stringent while supporting the sectoral policy objectives for the performing arts. Funding of recurring events should be subject to a sliding scale with, for example a percentage reduction in total funding each time.

Multiple-source funding was the focus of many consultations with visual and performing arts companies. Generally, art groups prefer multiple-source funding as it provides them with more flexibility and potential stability particularly when specific programs are discontinued or reduced. Dependency on one government department and/or cultural agency is thereby avoided. Multiple-source funding also allows several departments the opportunity of supporting the same project as it may address different objectives specific to the mandate of each department. It is the study team's view that funding from federal government departments should be complementary in the achievement of different objectives rather than supplementary in the achievements of the same objective. Funds in support of cultural objectives, however, should be obtained from one department or agency rather than from several. Even in instances where multiple source funding is appropriate, the team thinks that the Government may wish to establish a maximum level of federal funding for a project or event.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. In collaboration with the provinces and the relevant cultural agencies, establish an inventory of needs for major capital funding and the resultant impact on operational funding requirements.

2. Develop an overall strategy for all museum-related financial assistance as recommended in the program assessment of the National Museums of Canada, and, in conjunction with the Canada Council, an overall strategy for all performing and visual arts related funding which would address the roles of the federal government, of the Cultural Agencies, and of the Provinces and the private sector in providing operational funding to organizations and institutions.

3. Develop more stringent eligibility criteria for funding for major cultural events and establish funding of repeated events on a sliding scale.

4. Cease all funding of service organizations under PCI.

5. Establish a process whereby management development and communication technology grants are closely tied to operational funding.

CULTURAL AFFAIRS PROGRAM
DEPARTMENT OF COMMUNICATIONS

OBJECTIVE

To assist the Minister of Communications in the development of Canada's cultural policies; to support or manage selected artistic and cultural programs; to advise the minister on the implementation by cultural agencies of programs to accomplish government policy objectives; and to analyse social policy issues arising from the application of cultural, communications, space and information technologies.

AUTHORITY

Department of Communications Act.

DESCRIPTION

Two major activities are undertaken within the Cultural Affairs Program: policy development and program management. Programs include the Program of Cultural Initiatives, the Book Publishing Development Program, the Canadian Film and Videotape Certification Office, the Moveable Cultural Property Secretariat and the Travelling Exhibitions Insurance Program. A separate program assessment has been prepared by the study team on each of these programs.

The Policy Development section is responsible for the development and analysis of policies relating to film and video, copyright, sound recording, book and periodical publishing, heritage and performing and visual arts and crafts. The section also researches the social impact of technology on Canadian society in general and on specific groups. It provides advice to the Cultural Statistics Program of Statistics Canada and undertakes tasks such as responding to ministerial correspondence on culture (some 3,000 letters), preparing 10-15 Cabinet Documents annually, and processing Treasury Board submissions on behalf of the cultural agencies.

EXPENDITURES

In 1985/86 the program had 55 person-years and $4.8 million (the "Postal Subsidy" accounts for the remaining $55.1 million of the total $59.8N budget).

BENEFICIARIES

Ministers; cultural agencies; client groups.

OBSERVATIONS/ASSESSMENTS

In addition to the work undertaken by the 55 people on staff, research is contracted out in the initial phases of policy development and for some research studies.

Policy analysis and development is a time-consuming process which includes consultations with many representatives from the private and public sectors as well as with various levels of government. The resources required to undertake it are very difficult to quantify.

Cultural Affairs claims that, over the last five years, some 20 policies have been approved by the Government in the cultural area (film and video, sound recording, publishing, broadcasting, etc.). Within the scope of this assessment, it is impossible to evaluate the pertinence, timeliness and impact of these policies on the cultural agencies, client groups and the Canadian public against the resources required to undertake such initiatives. However, the study team has been able to assess certain individual policies in the context of the programs it has reviewed (e.g. book publishing sector) and its findings are contained in the relevant assessments.

A framework for national and international cultural policy and for individual sectoral policies has long been needed, even before the transfer of the Cultural Affairs Branch from Secretary of State to Communications in 1982. In 1980, the government initiated a major review of Canada's cultural policy through the Applebaum-Hébert Committee. The succeeding government maintained the initiative and received the Applebaum-Hébert Report in 1982. To date there has been little discernable follow-up by the federal government on the findings of the Committee. The proposed policy for Canada's cultural activities abroad scheduled for the summer of 1984 has fared little better. A draft policy paper was prepared by the Cultural Affairs and Public Information Bureau of the Department of External Affairs in October, 1984, and sent to DOC where further review is being undertaken.

Although no formal evaluation has been undertaken on the effectiveness of the Policy Development Group, the study team was informed by some agencies and departments (Canada Council, National Museums of Canada, National Film Board, External Affairs and Treasury Board Secretariat) and by some service organizations and visual and performing arts groups that policy development was insufficient to provide guidance and orientation in the various cultural sectors. In some instances, policy development is undertaken without reference to the relevant cultural agencies or client groups.

In Part III of the Main Estimates, the Department of Communications indicates that the lists of Policy Development section outputs in the workplans "are the most measurable operational targets available". In reviewing the operational work plans, the study team found that the specific outputs listed (e.g. reports, Cabinet Documents and answered letters) were not quantified. Since there are no performance indicators and the objectives of the section are very broad, the study team must question the basis on which the department arrives at the number of analysts required and their workload.

In the view of the study team, there appears to be duplication in the use of policy analysts, both within DOC and between DOC and the cultural agencies. Within the department there are 13 person-years assigned to arts and heritage policy, 15 to film and sound recording policy, seven to social policy, and three to copyright policy in addition to eight assigned to senior management, an additional six to Planning and 25 to program management. Several of the areas in program management seem to overlap the policy development areas. Moreover, each of the nine cultural agencies responsible to the Minister of Communications have staff who could develop and review policies specific to their mandates.

The study team suggests that more appropriate and more efficient policy development would result if the Department of Communications relied more heavily on cultural agency staff for the initial development and review of policies. The knowledge and expertise within the cultural agencies could also be useful to the department in responding to ministerial correspondence and in developing reports and documents. A reduction in the departmental staff might also eliminate, in part, the competition which occurs between cultural agency staff and departmental staff. The role of the department could become one of policy coordination and development of ministerial strategies.

OPTIONS

The study team recommends to the Task Force that the government consider, in the development of the Department of Communication's next Multi-Year Operational Plan taking into full account the existing capacity of the cultural agencies in policy development and reducing the number of person-years assigned to the Policy Development section of the department.

CONTEMPORARY ART ACQUISITION AND VISUAL ARTS

OVERVIEW

INTRODUCTION

In its terms of reference, the study team on Culture and Communications was asked to review "programs designed to promote the performing and visual arts" and provide advice and observations on program efficiency, overlap, enhancement, and consolidation. In addition, the study team was asked to identify the beneficiaries of these cultural programs.

This overview deals with contemporary Canadian art acquisition activities within the federal government as well as the visual arts programs operated by the federal government. Resources for both of these areas dealt with as part of this sector total $8.2 million (155 controlled and 21 non-controlled person-years) in 1985/86. It should be noted that significant resources are also devoted to these areas by the National Museums of Canada and the program of Cultural Initiatives of the Department of Communications. These are dealt with under Natural and Cultural Heritage and Performing Arts respectively.

CONTEMPORARY CANADIAN ART ACQUISITION

The federal government's most important and visible support for the visual arts comes through its annual contemporary Canadian art acquisition budget of approximately $1.3 million, excluding the acquisitions of the National Museums of Canada. The value of art collections resulting from these annual expenditures are conservatively estimated at between $17 million and $25 million (excluding the collections of the National Gallery and other national museums and the art hung in the House of Commons, Senate and official residences).

A number of federal departments and agencies acquire contemporary Canadian art: the Department of External Affairs (Arts Promotion Division, $55 thousand and Bureau of Physical Resources, $45 thousand); Department of Indian Affairs and Northern Development (Indian Art Center, $114 thousand and the Inuit Art Section $10 thousand); the National Capital Commission (Public Activities, $225 thousand); and the Canada Council (Art Bank, $850 thousand). (All figures are for 1984/85).

Although acquisitions are linked to the mandate of each department involved, the study team believes that the diverse and diffuse treatment of contemporary art acquisition and collection maintenance is inefficient and costly. One agency could more effectively coordinate the purchase and maintenance of contemporary Canadian art for displays, exhibitions and promotion. The study team proposes that the Canada Council's Art Bank undertake this central function on behalf of all federal departments and agencies on the condition that the department in need of contemporary Canadian art be part of the selection process. This will ensure that purchases are made consistently on the basis of artistic merit while reflecting the needs of the client department. This proposal would not include the National Gallery and other national museums as they should, the study team believes, continue to purchase art work and heritage objects relevant to their mandates.

In designating the Canada Council's Art Bank as the coordinating purchasing agency, the study team judges that its existing acquisition budget and personnel will be sufficient to satisfy all existing needs. Works purchased on behalf of External Affairs, however, should continue to be crated, shipped and maintained by that department, since the facilities for international transport already exist in-house.

The dismantling and subsequent transfer of existing collections in External Affairs, Indian Affairs and Northern Development, and the National Capital Commission to the National Museums of Canada and to the Art Bank should be undertaken in an orderly fashion. It is the study team's view that action plans should be developed by the departments and agencies concerned in collaboration with the National Museums of Canada and the Art Bank.

The action plans should consider the client departments needs for the collections to carry out their functions. For example, External Affairs needs works of art for semi-permanent displays in embassies and residences abroad. The action plans should also take into consideration the distinction between items that are of aesthetic and/or heritage value which should go to the National Museums of Canada and those of display value which should become part of the Art Bank.

In transferring the display art collections to the Art Bank, it is the study team's view that government will benefit from having one caretaker through a reduction in administrative costs, the elimination of redundancy and savings through utilisation of common resources. The government will also be in a better position to control its contemporary Canadian art acquisitions and holdings. For many of the same reasons, the government might also gain by using the Art Bank as a central agency for mounting contemporary art exhibitions. The study team has not had the time to explore this idea and its pros and cons.

VISUAL ARTS

The government supports the visual arts financially through grants programs: the Canada Council's Visual Arts Program ($4.5 million), the Department of Communications' Program of Cultural Initiatives and the National Museums of Canada's Museum Assistance Programs. The latter two programs are discussed under the Performing Arts and Natural and Cultural Heritage sectors respectively. However, the unclear division of responsibilities among the three programs has created confusion among client groups which is discussed here. The Canada Council contributes to the direct costs of four exhibit-related activities: curatorial research, presentation, circulation and documentation. The Museum Assistance Programs provide the same services in the heritage field. The Program of Cultural Initiatives provides financial support and assistance for building construction, repairs, upkeep and equipment purchase.

In the view of the study team, there appears to be no underlying rationale for the division of responsibility. For reasons set out in the section on the arm's-length principle, major capital expenditures should be the responsibility of the Minister of Communications, as such contributions are best planned and negotiated by the minister with provincial governments. The financial assistance provided to museums for building, upgrading and renovating, partially duplicates activities undertaken by the Museum Assistance Programs of the National Museums of Canada and creates confusion as to where museum/art galleries should apply to receive funds. The study team suggests that an overall strategy for all museum-related financial assistance should be developed by the Department of Communications (DOC), in collaboration with National Museums of Canada. It should set out the role of the federal government in the operational support of museums and the respective roles of the provinces and the private sector. It should also prepare a regime that can be easily understood by their respective clients.

Grants to purchase communications-related equipment fall within the competence of the Department of Communications, permitting it to explore various usages of communications equipment in the cultural field. Decisions to provide grants to purchase such equipment, however, should be based on the need for improved management as identified by the cultural agencies. The Department of Communications, in consultation with the Canada Council and National Museums of Canada, should, the study team believes, establish performance goals with each recipient to ensure that the equipment produces the results anticipated. Operational grant funding should be linked to these results.

At the present time, heritage exhibitions are funded by the National Museums of Canada while contemporary art exhibitions are funded by the Canada Council. This delineation appears to be too subtle for the client groups. There is a need for consultation and more coordinated efforts between the Canada Council and the National Museums of Canada. Some institutions combine the functions of both a museum and a contemporary art gallery and the study team suggests that mechanisms are required to ensure that funding is complementary where it is not the sole responsibility of one or the other of these agencies.

The study team has identified the need for increased promotion and marketing of arts and crafts. Although little has been undertaken in this area, the work of Indian Affairs and Northern Development is noteworthy. Many Inuit and Indian artists are now able to earn a livelihood through sales of their arts and crafts. Cooperatives, with the support of government funding, have identified markets in Canada and abroad, established links between the producer and the consumer, created a demand and as a result, have sold large quantities of art. In the context of Inuit and Indian art, it is the study team's view that the Department of Regional Industrial Expansion (DRIE), under its economic development mandate, should assume the responsibility for arts marketing and give this activity the necessary economic focus that it deserves.

As to the subject of marketing the arts in general, it is the study team's view that the Department of Communications, in consultation with DRIE, External Affairs and the relevant cultural agencies, particularly the Canada Council, should develop a strategy for the promotion and marketing of visual, literary and performing arts which would raise the awareness level of all Canadians that works of art are for everyone; indicate that the purchase of works of arts need not be limited to art galleries; and illustrate that there are works of arts to meet all budgets.

Summary of 85/86 Expenditures

Contemporary Canadian Art Acquisition

	$ million	PYs
Canada Council Art Bank	2.1	21*
Revenues	(0.7)	
Indian Cultural Development & Art	0.6	4
Inuit Art Section	1.5	5.5
NCC - Art Acquisition	0.2	0
NGC - Contemporary Canadian Art Acquisition	0.0**	0
Sub-total	3.7	21*
Visual Arts		9.5
Canada Council Visual Arts Program	4.5	6
Program of Cultural Initiatives - DOC	0.0**	
NMC/Museum Assistance Programs	0.0***	
Sub-total	4.5	6
TOTAL	8.2	21* 15.5

* non-controlled
** included in Performing Arts sector
*** included in Natural and Cultural Heritage sector

ART BANK
CANADA COUNCIL

OBJECTIVE/MANDATE

To provide recognition and direct assistance to professional Canadian artists through the purchase of their works of art; to present contemporary Canadian art to the public in everyday environments by means of a rental program; and to stimulate the private and corporate collecting of art.

LEGISLATIVE AUTHORITY

The Canada Council Act, 1957.

DESCRIPTION

The Canada Council reports to Parliament through the Minister of Communications. The Canada Council created the Art Bank in 1972 to complement its grant programs to artists. The Art Bank Collection has more than 12,273 works by 1,531 different artists purchased at a cost of $8,567,367. The collection represents a wide range of media: paintings, sculptures and installations, fibre works and ceramic sculpture, and works on paper, including graphics, drawings and photographs. In 1972, a warehouse was purchased to store and display the collection, and in 1981, a display space and resource centre were added. Additional facilities for jurying, cataloguing, photography conservation, shipping and receiving followed in 1983. The Art Bank occupies 1,850 square metres. The collection's repair and upkeep expenditures in 1983/84 were $52,000.

Works purchased are selected for the Art Bank on the basis of artistic excellence. Purchases are made on the recommendation of independent juries, appointed by the head of the Art Bank and chaired by the head of the Art Bank or its visual arts officer who has no vote. Artists wishing to sell or repurchase their work must make a submission to the Art Bank and juries meet quarterly to review all submissions. Each region receives regular annual visits, and travelling juries always include one member from the area being visited. The possibility of rental is not taken into consideration by the jury. Since 1972, more than 380 different juries have been called upon to choose works of art.

The Art Bank rents over 70 per cent of its collection, mostly to federal government departments and agencies and to public institutions. The Art Bank does not make this service available to individuals or private businesses to avoid the possibility of competition with commercial galleries. Half of the works on loan are outside the National Capital Region, and approximately 300 pieces from this collection are abroad on exhibition or in official and non-official Canadian residences. In addition to its rental program, the Art Bank is a major lending source for public and private galleries. Some 3,300 works have been loaned for exhibitions or other special projects since 1972.

In 1977, the Art Bank established the Special Purchase Assistance Program to generate additional funds in the art market as well as to increase the number of contemporary works in public collections. Under this program, public art galleries, museums and artist-run centres collecting contemporary Canadian art must raise up to $10,000 outside their regular acquisition budgets, which may then be matched by the Art Bank to add to their collections of contemporary art. As of December 1984, forty-nine different institutions had participated in the program resulting in the purchase of more than 1,100 works. The total amount contributed by the federal government under this program is $1 million.

The public has regular access to the Art Bank warehouse and volunteer guides provide public tours of the facilities.

EXPENDITURES

	($ million)			
	1982/83	**1983/84**	**1984/85**	**1985/86**
Salaries	0.6	0.7	0.7	0.7
Operations & Maintenance	0.5	0.4	0.4	0.4
Capital	0.8	0.9	0.9	0.9
Adjudication	0.1	0.1	0.1	0.1
TOTAL	2.0	2.1	2.1	2.1
Rental Revenues		.6	.7	.7
Person-years	21	21	21	21

BENEFICIARIES

Canadian artists; public art galleries and artist-run centres; employees of institutions renting the works.

OBSERVATIONS

The concept of an art bank is no longer unique. Some provinces have set up similar art banks to provide rental services to their departments and non-profit organizations: Quebec initiated its own Art Bank in 1983; the Ontario Art Gallery and many others have established a rental program for works of art on consignment. Perhaps the most important distinction between these programs and the Canada Council Art Bank is that the provinces tend to support artists from their own province rather than artists from other regions. Commercial art galleries also rent works of arts for a fee with the option to buy.

Over the last 12 years, some 12,000 works of art have been purchased through commercial art galleries and from artists by the Art Bank. A cursory glance at the Art Bank catalogue shows that the works of certain artists have been particularly well-received by the Art Bank. In some cases more than 10 works of art were bought from the same artist in the same year and again in subsequent years. These figures lend credibility to the observations of some in the arts community and arts organizations who described the jury system of the Art Bank as "an old boys' network", with biased views on the acceptability of certain art forms.

The Art Bank's practice of buying works of art through commercial galleries creates some concerns. In commercial galleries, there is an additional mark-up of 30-50 per cent on the price of the work actually paid to the artist. This initial price also has an escalating effect on subsequent prices, since it becomes the benchmark from which other art works are assessed. It is the study team's view that the Canada Council Art Bank should, where possible, undertake to buy works directly from artists.

ASSESSMENT

Administration of the Art Bank, its collection and acquisitions

The study team suggests that the jury system for selecting work for the Art Bank be maintained but modified considerably. Juries should consist not only of artists (regional artists) but also of potential clients, commercial art galleries, private collectors and representatives of different cultures in Canada, including the Indian and

Inuit. The study team also feels that to ensure impartiality in appearance and fact, members of the Art Bank and other officers of the Canada Council should not participate in the jury at all. In addition the number of sessions to select art works should be reduced from four to two a year.

During the study team's consultations, professional art dealers and commercial galleries indicated that the prices paid by the Art Bank were raising the prices of contemporary art works unreasonably. The study team concludes that the Art Bank should work closely with commercial art galleries in each region of Canada to establish fair market prices, representative of the market of the milieu.

The study team suggests that alternatives to the jury system should be explored. For example, the U.S. Institute of Museum Services has computerized its grants application and selection process while still using a jury system. Professionals in the area of expertise participate in the assessment of grant applications at the minimal cost of $200 per year. Under this system, administrative costs account for 4 per cent of the budget and nine persons administer some $17 million (U.S.) in grants.

Over half of the 1985 budget for the Art Bank involves administrative costs: 32.5 per cent for salaries and 19 per cent for operations and maintenance. Comparative figures from the Department of External Affairs for its art collection and acquisition activities show that administrative costs account for 75 per cent of the total budget. The study team suggests that a corporate strategy for the Canada Council, as suggested in the discussion of the arm's-length principle, should include benchmarks against which administration, operational and maintenance costs of the Art Bank could be assessed and evaluated.

The study team concludes that the Art Bank should diversify its acquisitions and reduce its storage space requirements, through a program of integrating artwork requirements in new designs for federal buildings, along the lines of the now-terminated Fine Arts Program of Public Works Canada. (See the separate assessment of this program.) With the present rate of acquisitions, the Art Bank also should have a devolution policy. In this regard, the Art Bank should consider providing works of art to the galleries from its collection rather than facilitating the purchase of additional works by these galleries as is now the case under the Special Assistance Program.

Rather than competing with commercial galleries to obtain art works from established artists, the study team suggests that the Art Bank should instead focus its support on developing professional artists with original ideas and high artistic quality and who are in need of visibility and assistance.

A Coordinated Acquisition Approach - Contempory Art

Over the last 12 years, the Art Bank has acquired considerable experience and expertise in the acquisition, restoration, shipping and maintenance of contemporary art used for display in government departments and public exhibitions. It has also acquired credibility in the field among public and commercial art galleries. However, the Art Bank is not the only federal agency which acquires contemporary Canadian art on behalf of the federal government. The National Museum of Man and the National Gallery acquire art work and heritage objects for their collections as specified in their mandate. The study team agrees that these agencies should continue to do so. However, the acquisitions of the National Capital Commission, the Department of Public Works, External Affairs (Arts Promotion and Bureau of Physical Resources Divisions), Indian Affairs and Northern Development and Parks Canada could be better managed and rationalized under one agency. The acquisition budget of these departments/agencies for contemporary Canadian art is $500,000 annually.

It is the study team's view that the Art Bank, with a $900,000 acquisition budget, could service the requirements of these departments and agencies, and that such centralization would not detract from the objective of providing assistance to artists. Members of each department with an interest in acquiring contemporary Canadian art could sit on an advisory panel for the choice/selection of the required works. Works in the collections currently owned by the departments could be transferred to the National Museums of Canada for their heritage value, or to the Art Bank for their display value.

It is the study team's view, however, that the Department of External Affairs should continue to crate, ship and handle works of art bought on its behalf through the Art Bank, since it has in place the necessary infrastructure to do so.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The jury system for the selection of works for the Art Bank be modified, as follows:
    a. its composition reflect artists, users, clients, potential buyers (commercial galleries/private collectors), and a member of the community from which the art work is selected,
    b. the visual arts officer or administrator of the Canada Council or Art Bank should attend jury meetings only in an administrative capacity with no voice and no vote on the cultural merits of an application,
    c. a study be undertaken to determine if a computerized system could be used for the identification and selection of jury members, and
    d. selection juries be convened less frequently, every six months rather than every four months.
2. The price paid for a work of art be established according to fair and competitive market prices and in consultation with the private sector.
3. The works of art, where possible, be bought directly from the artist rather than through commercial art galleries.
4. In the context of a corporate strategy for the Canada Council, benchmarks be established against which personnel, operational and maintenance costs could be assessed and evaluated.

5. The Art Bank focus on developing professional artists rather than established artists whose works are readily available through commercial galleries.

6. The Art Bank diversify its acquisitions to works of art to be integrated in federal building design in consultation with the Department of Public Works.

7. The Art Bank be mandated to coordinate, maintain and purchase contemporary Canadian art for displays, exhibitions and promotion on behalf of government departments and agencies and within its existing and current budget:

   a. All existing acquisition budgets for contemporary Canadian art in government departments and agencies be eliminated, except in the case of the National Museums of Canada.

   b. The National Gallery and the other National Museums continue to purchase art work and heritage objects for the purposes of their collections, and as required by their mandate.

   c. The department in need of contemporary Canadian art be part of the selection committee.

ARTS ACQUISITION PROGRAM
NATIONAL CAPITAL COMMISSION (NCC)

OBJECTIVE

To provide for the acquisition and communication of the Canadian culture and heritage as well as the special heritage of the Capital and the National Capital Region.

AUTHORITY

National Capital Act, 1958.

DESCRIPTION

In 1983, the government endorsed the NCC's role in the provision of active recreational, cultural and information services to the public.

A five-year visual arts program (1983 to 1988) approved in July of the same year was designed to acquire statues and sculptures for 23 sites in the National Capital Region. An Arts Selection Advisory Committee would select the sites as well as the works of art, its decisions being subject to confirmation by NCC management. To date, only one sculpture has been bought and another has been commissioned.

EXPENDITURES

		($ million)		
	1984/85	**1985/86**	**1986/87**	**1987/88**
Acquisition Budget	.2	.2	.3	.3

There are no person-years associated specifically with this activity.

BENEFICIARIES

National Capital Region residents; sculptors; tourists.

OBSERVATIONS

If the National Capital Region is to continue to be a centre of attraction for Canada, its lands, buildings and monuments must continue to display an aesthetic and symbolic character which is relevant to the country as a whole.

In 1984/85, some $118,199 was spent on acquisitions, and the remaining amount was transferred to 1985/1986. A total of $180,000 is already committed this year.

The Art Bank of the Canada Council also acquires sculptures as part of its acquisition of Canadian art for public display. (See the assessment of the Canada Council Art Bank.)

ASSESSMENT

In the view of the study team, the independent acquisition of art works by the National Capital Commission should cease.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The Canada Council Art Bank, as the proposed agency for coordinating contemporary art acquisition for the government, integrate the acquisition requirements of the NCC in its planning and that such acquisitions and related administrative costs be absorbed within the existing resources of the Art Bank.
2. All contemporary art acquisition activities (the five-year visual arts program) of the NCC cease and NCC funds for this purpose be returned to the consolidated revenue fund.
3. The NCC, as client, be invited by the Canada Council Art Bank to participate in the selection of art work for NCC sites.

INUIT ART SECTION
INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

OBJECTIVE

To provide programs and services to strengthen Inuit culture and language and to promote Inuit art.

AUTHORITY

Appropriations Act; Department of Indian Affairs and Northern Development Act.

DESCRIPTION

Established in 1954, the Inuit Art Section manages an extensive Inuit art collection (5,000 pieces with a present estimated value of $1.7 million) and uses it both as a promotional tool for support of the Inuit art exhibition program and for heritage purposes. The section maintains a documentation centre, undertakes research, prepares publications for exhibitions and provides advice and guidance to researchers and art collectors on Inuit art. It also organizes displays and exhibitions in Canada and abroad and produces a newsletter, Inuit Arts and Crafts.

The Inuit Art Section funds the Canadian Eskimo Arts Council and its secretariat ($90,000), which advises the minister on the orderly development of Inuit arts and crafts.

The section, through contributions, funds three native-owned cooperatives (Canadian Arctic Producers, La Fédération des coopératives du Nouveau Québec and the Dorset Fine Arts Cooperative) to produce promotional material designed to stimulate the market for Inuit art and establish a link between Inuit artists, southern dealers and consumers.

In 1981, Canadian Arctic Producers handled art works with a wholesale value of over $2 million.

An Inuit Arts and Crafts Committee regularly evaluates the effectiveness of the contributions made to the cooperative marketing agencies of the Inuit cooperatives for the development of new marketing strategies for Inuit art.

BENEFICIARIES

Inuit artists and their cooperatives; museums and galleries; researchers; art collectors; and Inuit art curators.

EXPENDITURES

In 1985/86, expenditures totalled $1.5 million and 5.5 person-years.

OBSERVATIONS

The government's acquisition and collection of Inuit art raise concerns of duplication: the departments of Indian Affairs and Northern Development, External Affairs, Public Works, and Parks Canada, the Canada Council Art Bank, the National Museum of Man and the National Gallery all collect Inuit art. There is also duplication of curatorial expertise with the National Museums of Canada.

DIAND recognizes the need to rationalize federal government activities related to the acquisition of Inuit art and the dissemination of relevant information. The department is developing a plan to facilitate the program's gradual phase-out which would recognize the importance of government support to Inuit-owned marketing agencies which are currently in a difficult economic situation.

The Study Team on Native Programs proposed the transfer of the Inuit Art Section to the National Gallery.

ASSESSMENTS

Although it is difficult to assess the direct economic and social impact of the promotional initiatives undertaken, some feel that Inuit art would not have gained the acceptability, credibility and visibility that it has today without the support of the government and the Inuit Art Section, nor would Canadian Arctic Producers, La Fédération des coopératives du Nouveau Québec and the Dorset Fine Arts Cooperative have been able to continue to market Inuit art effectively.

However, there are two functions accomplished uniquely by the Inuit Art Section - programming for the promotion and professional development of Inuit artists and educational outreach to native communities, which would not be carried out by either of the national museums. It is the study team's view that these two functions should continue to be carried out until such time as a federal arts marketing and promotion agency is developed. (See the assessment of DIAND's Indian Cultural Development and Art program.)

In its review of potential departments and agencies which could carry out the promotion and marketing functions, the study team considered the Department of Regional Industrial Expansion (DRIE), in view of its economic development mandate. The study team feels that, in consultation with DIAND, DRIE could effectively market native arts, assist Inuit cooperatives and enhance socio-economic development opportunities for native artists through the cultural industries. The Department of Communications should be tasked to explore, with External Affairs, with other ministers with trade and promotional interests, and with the Canada Council and National Museums of Canada, the feasibility and desirability of creating an arts marketing and promotional agency or function within the government to deal with all visual arts, including native arts.

In the interim, the study team believes that DIAND's human and financial resources designated for promotional and marketing activities should be transferred to DRIE, while the educational outreach program and the professional development of both Inuit and Indian artists would continue at DIAND with reduced staff and resources.

The study team on Native programs proposed the "transfer of the Inuit Art Section to the National Gallery". This study team suggests that the section's collection should not be considered in isolation from other federal Inuit art collections and there is merit in bringing all collections of Inuit art to an appropriate institution or institutions within the National Museums of Canada. However, the consolidation of Inuit art holdings in the National Museums of Canada could raise concerns that, without additional funds, exhibitions will be less frequent and varied, public education and information less effective and acquisitions reduced. On balance, the study team concludes that the collection should be transferred to the relevant museum, either the National Gallery for intrinsic aesthetic quality reasons or to the National Museum of Man for ethnological reasons. In any case, except for the national museums, acquisitions should be centralized in the Canada Council's Art Bank. (See the assessment of the Art Bank.)

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The proposal of the Study Team on Native Programs to transfer the Inuit Art Section to the National Gallery" be implemented only in part. The resources and responsibility for Inuit art promotional and marketing activities should be transferred to the Department of Regional Industrial Expansion while the resources and responsibilities for the educational and professional development of native artists be maintained at DIAND.
2. Develop a strategy for the promotion and marketing of cultural products domestically and abroad.
3. The acquisition of Inuit art on behalf of all government departments and agencies, other than the National Gallery and the National Museum of Man, be undertaken by the Canada Council Art Bank within its existing resources.
4. The Inuit art collection of DIAND be disbanded and divided between the National Gallery, the National Museum of Man and the Canada Council Art Bank in accordance with their respective objectives and mandates.

INDIAN CULTURAL DEVELOPMENT AND ART PROGRAM
INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

OBJECTIVE

To support Indian people in preserving, developing and expressing their cultural identity and in developing community, social and cultural programs that respond to their needs.

AUTHORITY

Appropriations Act; Department of Indian Affairs and Northern Development Act.

DESCRIPTION

Indian art program activities include maintenance, storage, display and purchase of works of Indian art. The collection of 1,900 works represents nearly 25 years of collecting. Its value is currently estimated at over $2.5 million. Approximately 60 per cent of the Indian art collection is on exhibition at any one time. National and international exhibitions are coordinated with other government agencies and provide opportunities for direct support and professional development for artists of Indian ancestry as well as for promotion of the artistic achievements of Indian people.

EXPENDITURES

Resources in 1985/86 total $0.6 million and 4 person-years.

BENEFICIARIES

Indian artists; museums and art galleries; the Canadian public.

OBSERVATIONS

Eight departments and cultural agencies now acquire Indian art and provide publications, exhibitions and programming related to Indian art. These are: the Department of Indian Affairs and Northern Development (DIAND), the National Museum of Man, the National Gallery, Parks Canada, Public Works, Secretary of State for External Affairs, the Canada Council and the National Capital Commission.

DIAND does not have adequate facilities or expert staff to properly maintain, store or exhibit its collection. In recognition of the need to ensure the preservation of the collection and access to it and to continue to assist in the development of individual Indian artists, DIAND has initiated discussions with the National Museum of Man and the National Gallery on the feasibility of transferring the Indian art collection out of the department. The National Gallery has not actively collected, promoted, exhibited or researched Indian art, nor has it been willing to acquire the Indian art collection. The National Museum of Man could display the collection through its various networks and provide the research capabilities.

There are, however, two DIAND functions associated with Indian art which the National Museums of Canada has indicated it could not undertake, either because the resources are not available or the infrastructure is not in place. They are the active promotion and professional development of Indian artists and the educational outreach program to native communities.

While the program does not provide financial support for the arts and crafts industries as businesses, it does enhance marketing opportunities for Indian art through the use of national and regional networks. The study team considers that native art could well benefit from a more active marketing program at the federal level. (See the assessment of DIAND's Inuit Art Section).

ASSESSMENT

In the overall context of the need to consolidate federal services in support of the cultural development of Indian, Inuit and Metis people, in marketing and promotion in particular, the study team suggests that the Indian Art collection of DIAND be disbanded. The National Gallery should acquire those works of Indian Art which best represent the intrinsic aesthetic quality of this art form. The gallery should also undertake to show a visible commitment to Indian art. Collection items of primarily cultural heritage value should be kept by the National Museum of Man, while the remainder of the collection should be transferred to the Art Bank.

The study team believes that all Indian art acquisition on behalf of government departments, other than the National Gallery and the National Museum of Man, should be undertaken by the Canada Council Art Bank. To accomplish this, the Art Bank could employ a Native Arts Liaison Officer with expertise and knowledge in the field, so that the Council may be more sensitive to the artistic needs of native people and assist native artists in their applications for grant support. (See the assessment of the Canada Council Art Bank.)

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The Indian art collection at DIAND be disbanded and the collection divided between the National Gallery, the National Museum of Man and the Canada Council Art Bank in accordance with the objectives and mandate of these institutions.

2. The financial and human resources of the Indian Art Centre be transferred to the National Museum of Man except those required to undertake the educational outreach and professional development of Indian artists which should be maintained with DIAND, and those required to undertake promotional and marketing activities which should be transferred to the Department of Regional Industrial Expansion.

3. The National Gallery be requested to provide more active promotion of Indian Art through its acquisitions and exhibitions programs.

4. The acquisition of Indian art on behalf of all government departments and agencies, other than the National Gallery and the National Museum of Man, be undertaken by the Canada Council Art Bank within its existing resources.

5. The Canada Council be requested to ensure that there is a visual arts officer specialized in Indian art and artifacts as part of the Art Bank staff.

CONTEMPORARY ART ACQUISITION PROGRAM
NATIONAL GALLERY OF CANADA

OBJECTIVE

In the context of the overall mandate of the National Museums of Canada to demonstrate the products of nature and culture, to acquire contemporary Canadian art in the context of directing and managing the overall resources of the Gallery.

LEGISLATIVE AUTHORITY

The National Museums Act, 1968.

DESCRIPTION

The National Gallery records, preserves and exhibits a collection of objects in the fields of fine and decorative arts. In collecting the works of artists who have achieved a marked degree of artistic and intellectual maturity, the gallery strives to collect as complete a range as possible of works by individual contemporary artists. Recognizing the desirability of an adventurous response to a contemporary milieu that is constantly renewing itself, the gallery also acquires the work of younger artists who bring new points of view and different approaches and techniques to their work.

The gallery's budget for the acquisition of contemporary Canadian art represents 28 per cent of the total budget for Canadian art and 9 per cent of the Gallery's total acquisition budget.

EXPENDITURES

	($ million)			
	1983/84	**1984/85**	**1985/86**	**1986/87**
Expenditures for contemporary Canadian art*	0.3	0.3	0.3	0.3

* The government has approved an administrative arrangement to ensure that funds do not lapse from one fiscal year to another.

BENEFICIARIES

The arts community in Canada; the Canadian public; tourists.

OBSERVATIONS

The National Gallery has recently extended its contemporary art collection to include both Inuit and Indian art, which are presently collected by a number of Government departments and agencies.

ASSESSMENT

The National Gallery is unique in its contemporary art acquisition program. The gallery focusses on the collection of works of art for their intrinsic aesthetic quality to ensure that its collection is of national significance, reflects regional influences and represents the state of artistic creation in Canada at any given time. In addition, the principal purpose of the gallery's collection is the preservation of works of art. This underlying aim distinguishes the gallery's contemporary art activities from those of the Art Bank, which has a consumer "useable art" orientation.

The study team considers the Canadian contemporary art budget of the gallery to be sufficient, since it allows the collection of a good representative sample of Canadian art. However, the study team suggests that Inuit and Indian art are under-represented in the collection.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The National Gallery give additional consideration and apply additional resources to the acquisition of Inuit and Indian art and, in particular, to assume responsibility for relevant parts of the collections of the Department of Indian Affairs and Northern Development. (See the assessments of DIAND's Inuit Art Section and Indian Cultural Development Art).

2. The National Gallery maintain its acquisition budget for contemporary Canadian art at the current level.

THE FINE ARTS PROGRAM
PUBLIC WORKS CANADA

OBJECTIVE

To purchase and/or to commission works of fine art for use in federal buildings so as to give Canadians a sense of quality in their environment; to promote the use of artists' work in the design and/or enhancement of federal buildings.

LEGISTATIVE AUTHORITY

Public Works Act.

DESCRIPTION

The Fine Arts Program, established in 1964 within Public Works Canada, ceased in 1978. Although briefly ressurrected in 1984 the program's re-establishment was halted by budgetary reductions.

Under the original program, one per cent of the total construction budget of a federal building was set aside to obtain works of fine art, such as sculptures, bronze doors, ceilings, curtains, paintings, etc., to be incorporated in the design of the building or to be used to enhance its surroundings.

EXPENDITURES

There are no resources at the present time. However, more than two hundred commissions and/or purchases already collected have a current value of between $10 million and $15 million. (In 1978, the collection was valued at $3 million.)

BENEFICIARIES

The artistic community; Canadians; and public servants.

OBSERVATIONS

The purpose of this assessment is to address the need for the maintenance and restoration of the works of art commissioned under the now-terminated Fine Arts Program since no provisions were made for the care of this collection at the end of the program. Some of the works now require urgent attention.

ASSESSMENT

The investment made by the federal government to promote the use of artists' works in the design and enhancement of federal buildings and the heritage value of these works dictate the need for an ongoing maintenance program.

Although the Art Bank, as a central repository of contemporary Canadian art, could assume the responsibility for these works, it is preferable that they be maintained by the Department of Public Works since they usually are an integral part of the building structure. However, it is the study team's view that part of the acquisition budget of the Art Bank should be devoted to funding works of fine art in the construction of new federal buildings. (See the assessment of the Canada Council Art Bank.)

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. Contract the Canadian Conservation Institute to provide an estimate of the costs and undertake the necessary repairs and maintenance required for the existing fine arts collection, with immediate attention given to those works most in need of urgent repair.

2. The restoration and preservation costs be absorbed by the Department of Public Works.

3. Explore the possibility and means of integrating works of art into the future construction of government buildings within the existing resources of the Art Bank.

VISUAL ARTS PROGRAM
CANADA COUNCIL

OBJECTIVE

To sponsor exhibitions, performances and publications of works in the arts.

AUTHORITY

Canada Council Act, 1957.

DESCRIPTION

In 1984, the Visual Arts Section combined the Programs of Assistance for Art Galleries, Project Exhibitions and Special Exhibitions into one program for art galleries and artist-run centres. The new Exhibition Assistance Program contributes to the direct costs of four exhibition-related activities: curatorial research, presentation, circulation and documentation.

The Special Projects Program of the Visual Arts Section uses a $500 thousand endowment from the Jean A. Chalmers Fund to increase its support for crafts. Grants are available to non-profit groups and organizations of professional craftspersons for innovative and experimental projects contributing to the advancement of crafts in Canada.

Two work studios are available to Canadian artists for up to a year at the Institute for Art and Urban Resources (P.S. 1) in New York City. The Special Projects Program at P.S. 1 offers professional artists the chance to develop and exhibit experimental work in all media - painting, sculpture and installation.

EXPENDITURES

	($ million)				
	1981/82	**1982/83**	**1983/84**	**1984/85**	**1985/86**
Program Costs (including adjudication)	6.8	6.9	4.5	4.5	4.5
Person-years	6	6	6	6	6

OBSERVATIONS

In 1982, the Canada Council decided to stop providing operating grants to 19 galleries and museums by 1985/86, after a two-year transition period. In the future, no art gallery or artist-run centre will be eligible for operational funding. Future funding would be strictly limited to exhibition-related activities on the grounds that the promotion of visual arts is best done through exhibitions. Complementary funding programs for heritage activities in art galleries exist in the National Museums of Canada.

This decision to go from operational funding to project funding within a short period is creating serious financial difficulties for the original 19 grant recipients which still require sums ranging from $200,000 to $500,000 per year to operate. Since neither the National Museums of Canada nor the Department of Communications were consulted by the Canada Council in determining this approach, complementary assistance measures were developed within these departments. Although the study team supports the Canada Council's attempt to rationalize the Visual Arts Program and eliminate redundancy in funding the same organizations as National Museums of Canada, it is concerned that this decision was made unilaterally. It is the study team's view that the arts community needs continuity and stability to effectively provide cultural services to the community and that this continuity cannot be achieved in the absence of a coordinated cultural planning and programming on the part of federal government departments.

There are 72 artist-run centres in Canada, of which approximately 36 per cent receive operating and/or programming annual grants from the Canada Council. There are presently 180 contemporary art galleries eligible for funding; approximately 30-40 are being funded by this program. Assessments of artist-run centres and contemporary art galleries are undertaken in terms of their promise of performance, relevance to the community, artists' membership and the management capabilities of their board of administration. Although funding obtained from the private sector and the public is considered in the evaluation, it is not used to reduce or to augment the level of Canada Council assistance.

In the visual arts, there are three problems confronting the artist and the art gallery or the artist-run centre: reputation, exhibition and circulation.

The mounting of an exhibition depends on the name of the artist which the gallery uses as a drawing card. However, the artist cannot be known unless he or she has had a certain number of exhibitions. Unless an artist is able to create enough interest in his or her work, it will not be shown. Exhibitions, therefore, tend to be regional since an artist is usually better known in his or her own milieu. In addition, art galleries tend to shy away from non-established artists, since they are riskier and their art may not be compatible with the 'corporate' reputation the gallery wishes to maintain. The price of the work of art is also a function of the name of the artist and the number and locations of the exhibitions which his or her work has had. In order to break this vicious circle, artists require marketing assistance, such as consultants or agents can provide, until they become established.

ASSESSMENT

On the basis of attendance figures (1.5 million in 1971, 2.5 million in 1981) the study team concludes that this program has been instrumental in providing greater access to works of art to the public through art galleries and artist-run centres.

The study team supports the existing clear delineation between the grants and funding available from the National Museums of Canada and from the Canada Council on the basis of heritage mandate versus a mandate to collect contemporary Canadian art. However, the study team strongly suggests the need for a concerted governmental approach to funding assistance for the sector before major decisions are implemented.

The initiative undertaken by the Visual Arts Division to streamline its services to support art galleries and artist-run centres will allow more funds to be available to a greater number of galleries.

The feasibility and desirability of more active marketing of the visual arts, in general, through this program should be explored.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The decision to cease operational funding to art galleries and artist-run centres under the Canada Council's Visual Arts Program be maintained.
2. Develop a strategy for the promotion and marketing of cultural products domestically and abroad.
3. The Canada Council Visual Arts Program be requested to consult with the National Museums of Canada and the Department of Communications on its short- and long-term assistance plans.

BROADCASTING AND FILM AND VIDEO

OVERVIEW

BROADCASTING

Major federal broadcasting programs include the Canadian Broadcasting Corporation (CBC), the broadcasting activities of the Canadian Radio-Television and Telecommunications Commission (CRTC), and the Northern Native Broadcast Access Program (NNBAP) of the Secretary of State. In 1985/86, the CBC, with about $850 million (and 11,434 non-controlled person-years), accounted for almost 40 per cent of the funds that the federal government spent directly to meet its cultural objectives. The broadcasting activities of the CRTC accounted for about $20 million and 325 controlled person-years (with administration expenditures prorated). The NNBAP resources were about $10 million and six controlled person-years.

The terms of reference of the study team stated that liaison would be maintained with the Caplan-Sauvageau Task Force on Broadcasting, which had just been established by the Minister of Communications, and that the work program of the study team would be determined in consultation with the task force. After this consultation and in the light of the Caplan-Sauvageau mandate and the review of the CRTC by the regulatory reform study team, the study team decided not to delve deeply into the CBC, the CRTC or the broadcasting area in general. However, the study team has prepared an assessment of the impact on the CBC of the November 1984 expenditure reductions, the views of public and private sector broadcasters and of various cultural groups towards the CBC, and the relationship of the CBC to other sectors being studied by the study team, in particular the film sector. An assessment of the NNBAP has also been prepared concentrating on its cultural objectives.

FILM AND VIDEO

Federal cultural programs in the film and video sector include support for the private sector film industry through Telefilm Canada (until 1984 the Canadian Film Development Corporation - CFDC) and the Capital Cost Allowance (CCA); support for production of 'culturally and socially relevant' films through the National Film Board (NFB); support for training and research through the NFB; and support for film as an art form through the Canada Council. Administration of the CCA is carried out through the Canadian Film and Videotape Certification Office of the Department of Communications. In 1985/86, approximately $150 million are being directed to these programs (excluding the CCA) and 802 controlled and 235 non-controlled person-years. Although they are not primarily cultural programs, the programs administered by the Canadian Government Film and Video Centre of Supply and Services Canada also reflect the private sector thrust of federal film policy. About $12 million in film and photo services are being provided through the Centre in 1985, about 90 per cent by the private sector. In addition, the federal government, in cooperation with the Quebec government, has given preliminary approval to a contribution for the development of a major production facility in Montreal (the Cité du Cinéma).

The government has not developed a comprehensive policy in the film and video sector, but has endorsed some, though not all, elements of the National Film and Video Policy announced in May, 1984. (This policy is referred to throughout this paper and the assessments as the 1984 film and video policy.) The key thrusts of the 1984 policy were the development of the private sector Canadian film and video industry and a significantly more focussed and more modest production role for the NFB, with major emphasis on training and research. Although the government has endorsed and furthered the private sector thrust, it has not enunciated a policy vis-à-vis the NFB. An opportunity for this will arise in the context of the government's reaction to the five-year plan just approved by the NFB Board.

Support for the Private Sector

Federal assistance to private sector filmmaking in Canada is provided chiefly through Telefilm Canada and the Capital Cost Allowance. Telefilm Canada is a crown corporation which provides financial assistance toward the development, production, promotion and distribution of Canadian films and videos, mainly for television broadcast through the Broadcast Program Development Fund but also for theatre exhibition through other programs. Its 1985/86 planned expenditures are $85 million. The CCA, as revised between 1974 and 1983, allows an investor in a certified Canadian film or video production to deduct the capital cost of the investment from taxable income over two years. Five per cent of the entire capital cost must be contributed in a given tax year to take advantage of the CCA. It is estimated that the 1985 tax expenditure under this provision will be about $20 million.

During the late 1970s, the film industry experienced a production boom. Problems in quality of product, management and distribution led to a three-year slump which lasted through 1982. It is now agreed, generally, that federal support programs (the CFDC and the CCA) in this area were less than effective and that, rather than alleviating industry problems, actually contributed to them.

Telefilm

Since 1982, there has been a major increase in the level of film activity in Canada. It is widely recognized that Telefilm's Broadcast Program Development Fund, established in 1983, and representing 84 per cent of Telefilm's planned 1985/86 expenditures, has been directly responsible for much of the growth in the Canadian industry. Although, after only two years of the fund's operation, it is too early to make a definitive judgement, it appears that the fund is being successful in improving the quality and quantity of films and videos available for broadcast. Critical acclaim and the ratings of productions aired are encouraging. Other Telefilm programs are also well received by the film and video industry.

Although Telefilm thus appears to be meeting its cultural objectives and to be contributing to the growth of the industry, the study team has identified some areas in the administration of Telefilm and in its relationship with the government where improvements could be made which would enhance the corporation's ability to meet its objectives and, particularly, its commercial objectives.

The broadcast fund is administered under a memorandum of understanding between the Minister of Communications and Telefilm. This memorandum was recently amended, among other things, to allow up to 49 per cent Telefilm financing for pilot programs for television series and for productions meeting stringent Canadian-content requirements. The study team questions the wisdom of these changes. Industry representatives consulted by the study team agreed that support at 49 per cent is too high, in that it encourages too great a dependence on government and, if maintained at this level, can impede rather than encourage broader private sector financial participation in projects.

Taking into account the views of private sector representatives consulted and the success that Telefilm appeared to have with the original one-third investment maximum, the study team believes that one-third should be reinstated as the normal maximum for Telefilm assistance at this time. It is recognized, however, that for certain types of films (e.g., documentaries, children's programming) or for certain producers (e.g. women, francophone, regional filmmakers) a rate greater than one-third may be required. It is proposed that only in cases where such specific cultural objectives justify a maximum greater than one-third, Telefilm be allowed the flexibility to go as high as the current 49 per cent investment ceiling but no higher, and that even in these cases, commercial considerations should play a major role in funding decisions.

The study team believes that, because of Telefilm's record, its recognized competence and its knowledge of the industry, the corporation itself is in the best position to determine the optimal funding criteria within general guidelines such as those suggested above. The study team believes that this flexibility should be provided to Telefilm via amendments to the CFDC Act which would remove the need for a separate memorandum of understanding for the broadcast fund. Telefilm would then be able to operate on an 'arm's-length' basis consistent with the original intention of the CFDC legislation.

Telefilm and the government have been criticized for not providing sufficient assistance to films destined primarily for cinema distribution rather than for television. Although the study team agrees that ideally, a better balance should be struck, at this time there are significant structural obstacles in the industry to the exhibition of Canadian films in Canadian theatres. Until this problem is solved, the study team believes that no additional federal funds should be disbursed on theatrical film production.

The Canadian Government Film and Video Centre administered by Supply and Services Canada (SSC) reflects the private sector thrust of government film programs in its emphasis on contracting out. The study team's conclusions on the centre support the recent transfer of sponsored film production and photo centre programs from the NFB to the centre, a move designed to enhance the private sector thrust and allow the NFB to focus its production more narrowly on 'culturally and socially relevant' films.

The Capital Cost Allowance

According to industry estimates, use of the Capital Cost Allowance (CCA) has doubled from $10 million in 1983 to $20 million in 1985, and is expected to double again in 1986 to $40 million. An assessment of the CCA is included in the study team's paper, Tax Expenditures and Other Indirect Subsidies for Arts and Cultural Activities.

Support for Film and Video Through the National Film Board and the Canada Council

The National Film Board

The National Film Board (NFB) is designated as a department for the purposes of the Financial Administration Act. The Government Film Commissioner, who is chairman of the NFB, reports to the Minister of Communications. Although the NFB is subject to the direction and control of the minister, actual practice has always been to maintain an arm's-length relationship which allows independent decision-making on creativity and output.

The National Film Board's 1985/86 allocation of $63 million represents about 40 per cent of total government expenditures in the film sector. This high level of expenditure reflects the NFB's past status as the only significant Canadian presence in the film sector and also its considerable reputation both in Canada and internationally for quality production. NFB budgets have been maintained at approximately the same level at the same time as funding to Telefilm has dramatically increased. Most of the NFB budget is devoted to production, with less than five per cent going to training and research.

The study team believes that, in the context of a dynamic industry with an increasing private sector capacity to produce film and video in a wide variety of categories, the relative and absolute size of the NFB production budget should be reconsidered. Although there is general agreement, even among private sector representatives, that the NFB has a unique role to play in the production of 'socially and culturally relevant' films, the study team believes that this role should be more focussed and could be carried out at an adequate level of activity with significantly less funds.

Another concern regarding the NFB is its distribution network. From the information provided, the study team is not able to say if the proposed consolidation and enhancement of NFB audio/visual centres across Canada will necessarily be a cost-effective response to the distribution problem.

The study team agrees with the direction of the 1984 film and video policy that the NFB should provide specialized training to talented and experienced personnel involved in all aspects of film-making, and should undertake research into experimental areas of film and video production. It is believed that progress in these areas could still be accomplished with a reduced budget, and that the NFB should devote more attention to defining its role in these areas more precisely.

The Canada Council

Support for film and video artists is also provided by the Canada Council. Canada Council programs in this sector (about $3.2 million in 1985/86) are considered complementary to NFB and Telefilm programs and make an important contribution to the development of film and video as an art form.

CITÉ DU CINÉMA

This project involves the establishment in Montreal of a film and television production centre to offer or coordinate a full range of services required for pre-production, production and post-production. The government approved federal participation to a maximum of $7.5 million in the context of the Canada/Quebec Economic Regional Development Subsidiary Agreement (ERDA) on Culture. According to this agreement, Quebec also would contribute a maximum of $7.5 million and the private sector an undetermined amount. An implementation study is now being carried out.

The study team has serious doubts about the need for totally new, discrete production facilities. We have been impressed by arguments from the private sector that such facilities may quickly become technologically obsolete and would, in any case, be provided by the private sector, if there was a demonstrable need. Although the study team recognizes the importance of federal/provincial cooperation in this sector, its views are predicated on the need to ensure that, if new facilities are required, they are technologically appropriate to a rapidly-changing industry and truly will not duplicate existing NFB and CBC facilities. Even if these requirements are fulfilled, the need for government funds, as opposed to a purely private sector initiative, would have to be demonstrated. In any case, the level of private sector input should be significant. In order to ensure that these issues are addressed by the government, the study team concludes that, once the results of the implementation study are available, any proposal related to the Cité du Cinéma should be re-examined. It is also suggested that production facilities now being discussed for Toronto and Vancouver be considered by Cabinet concurrently with the Montreal project.

ACCESS OF CANADIAN FILMS TO CANADIAN CINEMA SCREEN TIME

The study team believes it is important to devote some attention to a major problem of the film industry in Canada: distribution and access to cinema screen time. Canadian films have accounted for only about two per cent of screen time in Canadian cinemas. The major reason for this is the domination of the Canadian distribution and exhibition market by the seven American majors (Columbia, Warner, 20th Century Fox, MGM/United Artists, Paramount, Universal and Orion), all of which are both distributors and major motion picture producers. Each major has developed a special relationship with one or other of the two dominant exhibition chains in Canada whereby virtually all its releases are seen on Canadian screens, in preferred locations, on the best play dates. One of these theatre chains is American-owned and the other is Canadian-owned. Because the majors produce enough to cover almost all screen time, Canadian films are virtually excluded.

It is often argued that poor quality of product (in commercial terms), rather than distribution problems, keeps Canadian films off Canadian screens. While this is part of the problem and discussed briefly below, the success rate of the majors' releases indicate that, for them, the distribution system itself helps to make up for any unevenness in their product quality. Typically, 10 of the major studios' releases in the United States would include two which do well, four which eventually cover their costs through non-theatrical events (television, home video), and four which never break even. This in a market 10 times the size of Canada's.

Both coercive and non-coercive measures have been put forward as possible solutions to the Canadian distribution problem. A major non-coercive initiative can be seen in negotiation attempts with American film interests. Such negotiations have a long and unproductive history, dating back to 1922, and the seventh set of such negotiations were negotiated at the beginning of 1985. If these negotiations are successful, the resulting undertakings could provide increased U.S. investment in Canadian productions and access by Canadian producers both to the lucrative U.S. market and to the most effective distribution system now existing in Canada.

A second non-coercive route is strengthening the Canadian-owned distribution system. Possible approaches would involve business incentives such as tax breaks or special loan assistance, which would allow Canadian distributors to take advantage of opportunities to acquire Canadian rights as mergers and acquisitions take place among the U.S. majors. (It is expected that many such opportunities will arise over the next few years.)

The coercive solutions involve either federal or provincial legislation or a combination of both. The distribution and exhibition of films is, in practice, of interest to both federal and provincial governments. Remedial action could be taken under federal competition law, the Investment Canada Act or under new legislation, such as a National Cinema Act. Provincial governments may legislate in relation to distribution and exhibition within their borders.

Under proposed revisions to the Competition Act, mergers and acquisitions would be removed from the jurisdiction of the Criminal Code. These revisions are scheduled for parliamentary consideration by the end of 1985. Such changes, if enacted, would facilitate a possible action by Canadian distributors and/or exhibitors against what is, in effect, now a monopolistic situation in the Canadian distribution-exhibition market. At present, a claimant has to show criminal intent to bring a successful suit.

Under the Investment Canada Act, the federal government could initiate, as it has done for book publishing, a policy whereby, in the event of mergers or takeovers of American distribution companies, the rights to distribute in the Canadian market would have to be sold to a Canadian distributor within a certain period of time. By the same policy, the government would not look with favour on the establishment of new businesses by foreign companies.

A possible third federal route would see the licencing of distributors, with the imposition of conditions in order to ensure that federal objectives in this area are met. This could be accomplished under the Customs Act, but might invite retaliatory U.S. action in other sectors. Legislation via a new National Cinema Act is considered preferable.

Several provinces (including Ontario, Quebec and Alberta) have passed legislation which would enable them to establish quotas, although none have done so.

Quebec's Bill 109 is an extremely comprehensive piece of legislation. It would require, among other things: a French-version film to be available within 60 days of the first showing of an English version; distribution in Quebec to be in the hands of Quebec-based distributors, except where the foreign distributor holds world rights. Public hearings on the regulations for Bill 109 are scheduled to be held in September.

Although this issue is not within the terms of reference of the study team and we have not been able to undertake a comprehensive analysis of the problem, solutions are required to ensure increased effectiveness of existing federal programs. Of the major issues surrounding the film sector, the study team believes that distribution should receive priority attention.

The study team also believes that, while the structural issues discussed above are a major obstacle to Canadian theatrical viewing of Canadian films, quality of product also deserves close and immediate attention. If structural problems are solved and quality product is not available in sufficient quantity, the government's efforts will have been in vain. Screen time made available to Canadian products must be linked to the amount of quality products available.

EVALUATION OF FEDERAL PROGRAMS IN THE FILM SECTOR

The study team is prevented from reaching firm conclusions on the long-term optimal nature and mix of federal programs in this sector, for a number of crucial reasons. The industry has been on an upswing only since 1982 and, given past weaknesses, it is too early to determine if this rapid growth will continue and, if it does, for how long. Solutions to the theatrical distribution problem remain doubtful and their timing uncertain. The NFB has undergone significant changes over the past years, and its role is in fundamental transition. The study team would also point out that in establishing the Broadcast Fund, the government requested an evaluation in 1986. The study team believes that 1986 is too early to undertake a comprehensive evaluation of the Broadcast Fund and probably too early to evaluate progress in other areas just mentioned.

In this context, the study team suggests that a comprehensive evaluation of all programs in the film area to take place in 1987/88. This evaluation would focus primarily on the following issues:

i) the continued existence of the NFB with particular focus on the validity of the NFB's production role in light of the strength of the private sector and its willingness and capacity to produce culturally and socially relevant films, the appropriate training and research roles for the NFB, and the success of the NFB's distribution programs in reaching Canadians;

ii) the contribution of Telefilm to the strengthening of the Canadian film and video industry and its achievement of its cultural objectives;

iii) progress achieved in solving the distribution and exhibition problems for Canadian theatrical films;

iv) the appropriate balance between federal support for broadcast and theatrical production; and

v) the role of the Capital Cost Allowance in promoting private sector investment and the achievement of cultural objectives.

SUMMARY OF 85/86 EXPENDITURES

Broadcasting	**$ million**	**PYs**
CBC	844.3	11,434*
CRTC	19.6	325
NNBAP	9.5	6
Sub-total	873.4	11,434* 331

Film and Video		
Telefilm	85.0	95*
Revenues	(3.0)	
NFB	62.0	789 140*
Canada Council	3.2	7
Cdn Gov't Film and Video Centre**	0.0	0
Cdn Film and Video-tape Certification Office	0.3	6
Sub-total	147.5	235* 802

* not controlled
** not considered an expenditure for cultural purposes

CANADIAN BROADCASTING CORPORATION

OBJECTIVE

The 1968 Broadcasting Act, through which the government's broadcasting objectives were enunciated, saw a single broadcasting system in which both the public and private sectors played an important role. The government objectives to be achieved by the broadcasting system, and more specifically by CBC, were to:

- safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada;
- offer comprehensive and varied choice of programs;
- use predominantly Canadian creative and other resources;
- offer services in English and French;
- extend services to all parts of Canada;
- provide balanced programming including "information, enlightenment and entertainment for people of different ages, interests and tastes";
- promote exchange of cultural and regional information and entertainment; and
- contribute to the development of national unity and provide for a continuing expression of Canadian identity.

These objectives have guided the evolution of the CBC in the last decade.

DESCRIPTION

Background

CBC's role in Canadian broadcasting has continued to evolve throughout its history. It was created in 1936 following the 1929 Royal Commission on Broadcasting Report. Until 1958, the CBC acted as both broadcaster and regulatory licensing authority. The latter powers were withdrawn under the 1958 Broadcasting Act and given to the new Board of Broadcast Governors. In the 1960s, debate concerning the broadcasting industry in general and the CBC in particular continued. The Fowler Committee Report in 1965, the government's white paper in 1967 and the public and parliamentary debate preceding the enactment of the 1968 Broadcasting Act reaffirmed the need for autonomy for the CBC. At the same time, these discussions and debates were concerned with issues relating to the accountability of the corporation in both fiscal and policy terms. The principle of an arm's-length relationship with the government on most matters, the role of the CRTC in policy review, and the fiscal accountability to the government through participation in the government's planning process and capital budgets, emerged during this period and remain as issues.

The CBC is at a critical juncture in its evolution. Like others in the broadcasting industry, it is confronted with profound and accelerating technological change affecting all facets of its operations. Increasing use of cable and satellite technology has led to increased competition among broadcasters and a consequent fragmentation of audiences. This will continue with the increased use of videocassette recorders and the advent of direct broadcast satellites and low-cost earth stations or dishes. The CBC will face increasing competition to retain its present share of television audiences which, according to the Corporation, is some 20 to 22 per cent for its English service and 44 per cent for its French service. Its radio services are equally affected by technological change and increasing competition through cable and satellite penetration by U.S. radio services.

The CBC faces this technological challenge at a time when it is subject to restraints in its funding, as are all government institutions. Notwithstanding the restraints, CBC's 1985/86 budget is projected at just over $1 billion.

The Applebaum-Hébert Committee (1982) and other observers are increasingly questioning the large amount of Canada's cultural funds devoted to this institution. The Committee recommended that the CBC:

1. Discontinue selling air time for advertising.
2. Discontinue its affiliation agreements with private television licensees.
3. Relinquish all television production activities (except news and current affairs productions) and facilities in favour of acquiring its programming from independent producers.

4. Allocate a sufficient proportion of its programming budget to the commissioning of programs produced in the regions.
5. Import and co-produce programming which is not otherwise available to Canadians.
6. Re-commit itself to providing regional programming on television in particular and get out of local television (not radio) broadcasting activities.
7. Encourage more cooperative programming efforts between the CBC and Radio-Canada networks.
8. Enhance its marketing operations in order to exploit the maximum domestic and international marketing potential of its program, records and books.

In January 1985, the Minister of Communications announced the formation of the Caplan-Sauvageau Task Force to review the whole field of broadcasting in Canada.

Accountability Structure

As defined by the Broadcasting Act of 1968, the corporation consists of a president and fourteen other directors, appointed by the Governor-in-Council. The president functions as chief executive officer of the corporation and as chairman of the board of directors. The executive vice-president is responsible to the president for the management of broadcasting operations and is appointed by the corporation, on the recommendation of the president and with the approval of Governor-in-Council.

EXPENDITURES

Description of Operations / Budget for 1985/86

The CBC is frequently perceived as a single entity. Subsequently, parliamentary appropriations and revenue are sometimes perceived of as a lump sum. To fulfill its mandate, however, the CBC must offer a range of separate services to the Canadian public. A list of those services and their estimated costs follow:

	($ million)
CBC	
Television network	218.2
Regional television stations (18)	110.9
AM radio network	34.3
FM stereo radio network	11.5
Regional radio centres (31)	55.0
Radio-Canada	
Television network	186.4
Regional television stations (12)	49.6
AM radio network	25.9
FM stereo radio network	6.4
Regional radio centres (15)	22.6
Northern Services Radio and Television (7 languages)	9.2
Radio-Canada International Shortwave (11 languages)	15.1
Other Services	
Satellite-to-cable networks (2) for House of Commons proceedings	3.0
Closed-captioning	1.7
Satellite transponders (10); transmitters (1,300)*	112.5
IRIS**	2.0
Management and Administration	
Division/regional administration/engineering	113.7
Commissions and selling expenses	42.6
Corporate management services	51.8
TOTAL	1,072.6
Revenues	(228.3)
Total parliamentary appropriation	844.3

* One of the world's largest distribution networks with 670 radio and 630 television transmitters.

** An experimental French and English teletext service.

Appropriations History

The table below sets out the appropriation history of the CBC from 1978 to 1985.

CAPITAL & OPERATING
($ million)

	CURRENT $	**CONSTANT $***	**INCREASE/(DECREASE) FROM BASE $ million**	**Percentage**
1978/79	571.1	517.1	-	-
1979/80	522.4	473.6	(43.5)	(8.4)
1980/81	577.5	469.5	(47.6)	(9.2)
1981/82	649.5	477.9	(39.2)	(7.6)
1982/83	737.4	491.6	(25.5)	(4.9)
1983/84	797.9	505.0	(12.1)	(2.3)
1984/85	871.4	531.5	14.2	2.7
1985/86	844.3	493.2	(23.0)	(4.6)

* Current dollars deflated using Gross national expenditure deflator (calendar year)

Analysis of Overall Impact of November Cut

In November, 1984 the Minister of Finance's economic statement announced a $85 million cut to the CBC ($75 million from operating and $10 million from capital). It should be noted that the corporation believes it will have to find an additional $25 million to cover the costs of the staff separations caused by meeting the operating budget cut. Furthermore, Treasury Board did not approve the inflationary increase adjustment requested by the CBC of $12 million.

OBSERVATIONS/ASSESSMENT

The study team has reviewed the actions taken by CBC's management to cover these various shortfalls and thinks the general direction taken is appropriate. The funds seem to have been found by cutting or consolidating management and administrative overhead and by efficiencies in the programming area. Savings in the latter area come from rationalization of production operations and by regionalizing some local programming. The study team believes that several more initiatives could be taken to continue this trend.

The complexity of the operation and the uncertainties of the future role of the CBC lead the study team to conclude, however, that the Government may be well advised to refrain from levying any more cuts against the operational budget of the CBC until it has had an opportunity to review and, perhaps, revise the CBC's mandate. In the study team's opinion, a revised mandate along the lines suggested below and by Applebaum-Hébert could require the same level of resources as now allocated to be effective. The production of new and more Canadian drama and variety and the potential loss of revenue from the reduction of foreign programming could require additional funding.

A mandate review cannot reasonably be undertaken until the environment in which the CBC operates has been thoroughly analyzed. The Caplan-Sauvageau Task Force on Broadcasting, established by the Minister of Communications to analyse Canada's broadcasting policy and CBC's role within it, will report by January, 1986. The government should, the study team believes, consider this to be one of its most important and urgent cultural initiatives.

The study team has not delved too deeply into the CBC or the broadcasting area in general because of the existence of the Caplan-Sauvageau Task Force. It believes that the Caplan-Sauvageau review will confirm that there is a specific and necessary role for the public sector to play in Canadian broadcasting and that a distinctive mandate can be set for both CBC radio and CBC television.

The study team realizes that the environment is different for English-language television than for French-language television and both are different from AM and FM radio. Consequently, the problems facing the Government in each area are different. The economics of English-language television in Canada seem to indicate that only the public sector, and principally the public network can redress the balance of Canadian programming. (Only 28 per cent of all English-language television available in Canada is Canadian, and only 23 per cent of that is available in prime time). The study team does believe, however, that there are a few general principles or directions that the Caplan-Sauvageau Task Force should consider in the television area.

In the view of the study team, the CBC should not undertake to do that which is done well by other Canadian broadcasters and other Canadian broadcasters for example, buy mass-market foreign programming very well. Further, the study team believes that tax money should not be used to purchase mass-market foreign-produced programming although the purchase of distinctive quality foreign programming is to be encouraged. The CBC's competition in the mass-market area only potentially raises the prices paid by Canadians for American products.

The study team realizes that removal of the CBC from the mass-market would undoubtedly raise private sector profits. The private sector would have less competition for buying foreign products, and the commercial revenues for showing them would flow from the CBC. The CRTC could require that these increased profits be moved into increased quality Canadian programming perhaps by continuing the precedent established for funding by the Broadcast Film Development Fund. The CBC could concentrate on quality foreign and Canadian programs, perhaps rebroadcasting programs in several time slots.

In the view of the study team, the English-language system of private broadcasters can produce local programming, public information and news programs at least as well as the CBC. The mandate of the CBC should concentrate on it becoming the leader in national and inter-regional news and public information programming.

Much of the international news now seen on Canadian television is drawn from American network sources. The CBC has few foreign correspondents, and the November budget reduction cut into this area. If this trend continues, the American networks will be setting the agenda for when and how Canadians see international events.

Many feel that Canadian drama and variety programming is where the CBC should concentrate. The results of the recent cuts indicate that they may have had the effect of centralizing, in Toronto and Montreal, the program decision-making for all regions. If this is true, the study team believes that the trend should be reversed. There are regions in Canada other than Toronto and Montreal. Some of the program production decisions should be decentralized to regional management, and network management should become the coordinating agent to ensure that quality programs sponsored in one region are seen in the others. Furthermore, co-productions with private sector Canadian film-makers should be encouraged.

One piece of advice given to the study team in its consultations across Canada was simple - stay away from elaborate, captive production facilities. In an age of rapidly-changing technologies and high mobility, it is unclear to the study team why the CBC should spend millions of dollars on new production facilities in Toronto. The provision of office and some workspace (principally for public affairs programming) is long overdue, but the study team was told repeatedly that investment in program production facilities was unwise. In addition, investment in equipment before the CBC's mandate is defined would seem premature. The study team believes that a moratorium should be placed on major capital expenditures other than those required to maintain operations, until the government has considered a new mandate for the CBC.

In consultations with educational and private broadcasters, the study team could ascertain few advantages to a national radio and televison service being managed by the same agency. The programming and technologies are different and no evidence was readily available to the study team that synergies existed. Current management literature does, however, speak rather eloquently of the advantages (operational and motivational) of smaller, closely focussed operations which are certain of their markets and businesses. The Caplan-Sauvageau Task Force could be asked to consider the advantages of splitting CBC Radio and CBC Television into two separate corporations.

Finally, one of the main problems perceived to exist at the CBC is one of governance. At present, the president and chief executive officer (CEO) is also chairman of the board. As is explained in more detail in our observations and suggestions on the 'arm's-length' principle, the study team believes that such a structure robs the government of the opportunity of ensuring that the policies and directions of the CBC have been reviewed thoroughly by a group other than the management which developed them. It also robs the CBC of the credibility that an 'arm's-lengtn' board would give the corporation in its dealings with the government. Several public and private sector broadcasting organizations interviewed by the study team recommended a structure which would have the president and CEO reporting to the board, the chairman of which would be appointed by the government from outside the management structure of the corporation.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. No further cuts against the operations budget of the CBC be made without guidelines being provided by the government on the changes in the mandate expected and the level of services to be produced.

2. Report on the findings of the Caplan-Sauvageau Task Force by February, 1986 and on proposals for a revised CBC mandate by June, 1986.

3. A moratorium be placed on all major capital expenditures for the CBC until the government has considered a revised mandate for the CBC and a capital program to meet that mandate.

4. Consideration be given to changing the reporting relationship within the CBC so that the President is the Chief Executive Officer but not the Chairman of the Board.

NORTHERN NATIVE BROADCAST ACCESS PROGRAM
SECRETARY OF STATE

OBJECTIVE

To provide financial assistance to northern native communications societies for establishing production facilities in the North which will ensure that a significant amount of broadcast programming relevant to the needs of native people is available on radio and television.

AUTHORITY

Secretary of State Act and Broadcasting Act.

DESCRIPTION

The North, for the purposes of this program, includes the NWT and Yukon and the northern regions of all provinces except New Brunswick, Nova Scotia and P.E.I.

Following large scale introduction of television into northern Native communities as a result of the CBC's Accelerated Coverage Plan (ACP) beginning in 1975, demands grew for special programming relevant to native linguistic and cultural needs to counteract the impact of non-native radio and TV programming on native culture and language. Funding for Inuit programming began in 1978/79 as part of the Anik B experimental satellite pilot projects. Interim funding for Inuit programming continued until the end of 1982/83, when Cabinet approved a comprehensive northern native broadcasting policy and program involving funding for Inuit, Metis and Indian communities in the North. Under the Northern Native Broadcast Access Program (NNBAP), a total of $40.3 million was initially approved for the four-year period ending 1986/87, but $2.5 million was removed in the context of the 1984 expenditure reductions.

Under NNBAP, native communications societies in 13 regions across the North now receive funds to produce native-language regional radio and television programming or to do the research and development necessary for establishing such broadcast programming. The research stage has, in fact, been completed for all but one society and all are receiving some production funds.

To be eligible for funding, native communications societies must serve their entire region, consult with and serve all language groups and communities in that region, and participate in annual jointly-funded audience research for evaluation purposes. A distribution agreement with an existing northern broadcaster is also a prerequisite for receiving production funds.

Secretary of State program managers estimate that the costs of this program will increase as full broadcast programming is undertaken by all funded societies. By 1989/90 it is estimated that $25 million will be required.

EXPENDITURES ($ million)

	1983/84	1984/85	1985/86	1986/87	1987/88
Program Costs	4.6	7.6	9.5	16.1	0.0
Person-years	6	6	6	6	0

BENEFICIARIES

Approximately 200,000 Inuit, Indian and Metis people in the North; about 250 Native people employed by the participating communications societies.

OBSERVATIONS

Radio and television broadcasting are particularly important to the preservation of native cultures which are primarily dependent on oral expression and transmission. There is general agreement among native groups and those responsible for native programming within the federal government that native broadcast programming is essential to the preservation of native language and culture.

The department states that research conducted by funded native broadcasting groups has indicated that there is a large and positive listening and viewing audience for their programming. Two audience surveys, jointly funded by the department and the groups receiving production funding, were conducted last year. In one, 72.4 per cent of a representative sample reported "frequent" listening, and 25.6 per cent "occasional" listening to Wawatay Radio Network after six months on the air. In the other, 83 per cent watched IBC (Inuit Broadcasting Corporation) programming one to three hours or more every week. Two further surveys are now underway and more are being contracted.

ASSESSMENT

The study team notes that although this program appears to be meeting its objectives it is at a very high and increasing cost per capita when compared to other cultural programs. Although the study team recognizes that this program was conceived primarily in relation to federal native policies and priorities, its high per capita cost in the cultural context should be taken into account in determining future funding.

It has been suggested that native broadcast programming could be carried out by the CBC and that the Secretary of State program represents unnecessary duplication. However, the study team recognizes that the CBC lacks the resources and inclination to produce sufficient native radio and television programming to satisfy the demand. CBC programming is much more expensive per hour than native programming. The CBC has also argued that, based on its mandate under the Broadcast Act, its priority for the North is to provide regional programming in both official languages serving a variety of northern communities (including Inuit, Indian, Metis and non-native) rather than programming aimed at individual linguistic groups. Such questions will no doubt be raised in the context of the Caplan-Sauvageau review of Canadian broadcasting policy.

The success of the NNBAP will depend on the quality of programming produced in native cultural centres, access to broadcasting time, and ratings among the native population being served. These issues are also being addressed in the formal program evaluation which is just beginning and is due for completion by early 1986. The results of this evaluation, considered in light of the high and increasing costs, should determine the future of this program, whose funding is now scheduled to terminate at the end of 1986/87.

The study team on Native Programs considered this program important and supported its continuation. It was also suggested that consideration be given to its possible integration with the department's Native Communication Program (NCP) and with the newspaper grants component of the Representative Native Organization Program. These proposals are being assessed as part of the evaluation, which encompasses both the NNBAP and the NCP.

OPTIONS

The study team recommends to the Task Force that the government, in considering the continuation of this program on the basis of the evaluation scheduled for completion by January, 1986, take into account the per capita cost in relation to cultural and native policies and priorities.

TELEFILM CANADA
CANADIAN FILM DEVELOPMENT CORPORATION

OBJECTIVE

In legislation, "to foster and promote the development of a feature film industry in Canada" and as operational objectives, "to increase the quantity and availability of high-quality Canadian films and television programs and to promote the long-term development of the Canadian film and video industry".

AUTHORITY

The Canadian Film Development Corporation (CFDC) Act (1967) and the Memorandum of Understanding (MOU), as revised in March, 1985, between the Minister of Communications and Telefilm Canada, governing the administration of the Broadcast Fund.

DESCRIPTION

Telefilm is one of the four cultural agencies exempt from the recently enacted Crown Corporation provisions of the Financial Administration Act. Its Board consists of six members appointed by Governor-in-Council plus the Government Film Commissioner, ex officio.

Telefilm is headquartered in Montreal, and has regional offices in Toronto, Vancouver, and Halifax, and international offices in Los Angeles, Paris and London.

Telefilm programs include:

1. **The Broadcast Program Development Fund** (the Broadcast Fund). The Broadcast Fund was established in 1983 with total funding over five years of $254 million. The fund now dominates Telefilm activity, and this year will constitute 84 per cent of planned expenditures. The fund's purpose is to reduce the domination of Canadian prime time television by American programming. Funding is provided to assist in the production of high quality, prime time Canadian television drama, children's programming, variety and documentary by Canadian private sector producers and the exhibition by Canadian private and public sector broadcasters and licensed provincial

educational broadcasters. A production is supported only if there is an exhibition agreement (a broadcast licence) providing for broadcast within two years of completion of the production. Funding is mainly through equity participation. Any return on investment is shared on a pro rata basis with other investors. Telefilm also participates in any profits based on its original investment.

Until March 1985, Broadcast Fund assistance did not generally exceed one-third of the production budget of any funded project. At that time, the MOU was revised to allow 49 per cent financing for pilot programs for television series and for productions meeting stringent Canadian content requirements. Producers are meeting these conditions and qualifying for the 49 per cent maximum to a much greater extent than had been envisaged. Greatly increased demand for Telefilm funds, due largely to the increased maximum, resulted in a request just approved by Treasury Board, allowing Telefilm to increase its 1985/86 allocation by about $20 million, which represents a portion of the funds unused in the first two years by the Broadcast Fund.

2. **Production investment and script and development programs.** The production investment programs constituted the core of Telefilm's activity prior to the establishment of the Broadcast Fund. The limited funds available from this program are used for occasional or special interest films judged of importance by Telefilm but not attractive to a Canadian broadcaster. Under the script and development program, funds are provided to producers for script preparation, budget development and the securing of directors and performers.

3. **Distribution assistance programs.** These include grants to Canadian Film Festivals, captioning for the hearing impaired, the test marketing program and the promotion and advertising program.

4. **The Interim Financing Fund.** Loans are made available to Canadian producers and distributors and other Canadian and television industry

businesses to assist in solving short-term cash flow shortages. These loans must be guaranteed by a broadcast licence agreement or other firm security.

The script and development program and the distribution assistance programs were established under the 1984 film and video policy to deal with particular problems or areas of weakness in the film industry. They represent initiatives to achieve a more realistic balance among funds allocated to the various stages of getting the product to the audience -- development, script, production, promotion and distribution.

The Broadcast Fund which, as indicated, is administered under the MOU between the Minister of Communications and Telefilm, is more closely monitored by the Department of Communications than are other Telefilm activities. The separate authority is required because Broadcast Fund activities do not fall within Telefilm's mandate as defined in the CFDC Act. Because the Broadcast Fund now constitutes such a large proportion of Telefilm activities, this situation has in effect weakened the 'arm's-length' relationship which was intended by the legislation to exist for the CFDC.

In accordance with the decision establishing the Broadcast Fund, the program is scheduled for independent evaluation in 1986. Funding is due to expire as of the end of 1987/88. Other Telefilm activities are not scheduled for evaluation.

Although the Fund has only been in existence for two years and most films financed have not yet been televised, those that have been have received some critical acclaim and good ratings. The CBC world premiere of "Rocky Mountain Christmas with Frank Mills" attracted 2.3 million viewers, "Astro le petit robot" broke all French-language children's programming records with more than a million viewers per show, and "Hockey Night" (the story of a teenage girl's fight to become a member of the high school hockey team) had a network audience of 2.2 million. The Broadcast Fund shows promise of providing an important response to American domination of Canadian television.

The CFDC Act has not been amended since the establishment of the Broadcast Fund and other programs under the 1984 film and video policy. The following anomalies are created by this situation:

(i) because its name change has not been enacted, Telefilm must for all legal purposes continue to be designated as the "Canadian Film Development Corporation";

(ii) because the Act refers to Telefilm's objectives as being related to the production of "feature films", Telefilm's activities in documentary, variety, children's programming and video are questionable in law; and

(iii) the Act's definition of film activity is limited and might not be construed as broad enough to cover the many Telefilm activities devoted to promotion.

EXPENDITURES ($ million)

	1983/84	**1984/85**	**1985/86**	**1986/87**	**1987/88**
Expenditures					
Broadcast Fund	9.1	35.8	71.0	63.0	62.7
Other programs		7.3	6.8	6.8	6.8
Administration		6.0	7.2	7.1	7.2
Sub-total		49.1	85.0	76.9	76.7
Revenues					
Broadcast Fund		2.2	2.8	3.2	3.4
Other programs		2.1	0.2	0.2	0.2
Sub-total		4.3	3.0	3.4	3.6
Net Expenditure		44.8	82.0	73.5	73.1
Person-years (non-controlled)	43	82	95	96	97

BENEFICIARIES

Independent Canadian film production and distribution companies including directors, script writers, film crews, actors; Canadian television viewers and film-goers.

OBSERVATIONS/ASSESSMENT

Telefilm's objectives are both commercial and cultural. The cultural goals are clearly stated (quality, Canadian content, increased accessibility) and their achievement can largely be evaluated. The commercial goal, to strengthen the Canadian film industry, is quite general and it is more difficult to assess the degree to which Telefilm is meeting this objective because of its generality and because of the difficulty of determining the degree to which the industry could become commercially viable. Some believe that a completely viable and culturally-relevant industry is an unrealistic objective, given American dominance and the relatively small size of the Canadian market, including a unique francophone sector. It is possible, however, for a company to achieve viability through the sale of one series to a major American network. To encourage independence, some have suggested a sliding scale of support based on the principle that successful companies should be weaned from Telefilm support. Others maintain, with some justification, that this would be penalizing success and that complex funding criteria are inherently not good for business.

The study team believes that the funding criteria should be kept simple and should encourage as great a degree of independence as possible. It is clear that 49 per cent funding from Telefilm can reduce the incentive to obtain private sector sources of funding and to consider the commercial aspects of film-making. It also means, of course, that fewer films can be produced with the assistance of Telefilm funds. However, for certain types of films (e.g. documentaries, children's programs) or for certain producers (e.g. regional, francophone and women film-makers), a maximum greater than one-third may, in some cases, be required. The study team believes that given the recognized competence of Telefilm management and their knowledge of the industry, Telefilm itself is in the best position to determine the optimal criteria, within general guidelines such as the following:

1. One-third should be considered the normal maximum for Telefilm assistance.

2. Telefilm should not become a majority partner for any film, i.e. the maximum percentage should never be greater than 49 per cent.

3. Even in cases where specific cultural objectives justify a level higher than one-third, the commercial goal must also be a significant consideration.

Although the study team believes that one-third per cent should be the normal maximum at this time, it is possible that within a few years a lower maximum of 20 per cent - 25 per cent may be desirable as the industry matures. A general reduction of the maximum for all producers is considered preferable to sliding scales based on individual success.

The general view among industry representatives consulted by the study team is that Telefilm management is competent and has a good understanding of industry needs. The few complaints received were from regional producers who felt that Telefilm should be devoting more attention to their needs. The study team believes that while Telefilm should be sensitive to the needs of regional producers, its efforts in this direction are appropriate and commensurate with its commercial goals.

Many criticize the government and Telefilm for neglecting theatrical films in favour of broadcast programming. Although the study team agrees that proportionately more funding should be directed toward theatrical films, any move in this direction must be predicated on removing the obstacles to access by Canadian films to Canadian cinemas. If these obstacles are removed, the study team proposes the balance be altered in favour of theatrical films. Existing sources of funding in the film sector should be used.

The CFDC Act does not provide a sound legal basis for many existing Telefilm activities. Amendments to the Act would be a convincing demonstration of the government's support for the new thrust of Telefilm's activities and the Broadcast Fund. An appropriately revised Act would remove the need for a separate MOU to administer the Broadcast Fund. Telefilm would then be able to operate on an 'arm's-length' basis consistent with the original CFDC legislation.

The separation of the Broadcast Fund from other Telefilm activities also appears in practical ways to be somewhat artificial. For example, several non-Broadcast Fund programs are available to films being produced for television, and the Broadcast Fund has its own budget for script development. Many films are suitable for both television and theatrical distribution, and the same companies may be involved in both types of production. For these reasons, there may be administrative advantages the study team suggests to the integration of Telefilm's activities which would be facilitated by the enactment of new legislation.

Since the Broadcast Fund will only have been in existence for three years by 1986, the study team believes that an evaluation in 1986 would be somewhat premature. Also, the Broadcast Fund and other Telefilm activities should be evaluated in the context of the comprehensive evaluation of government film programs proposed for 1987/88.

Because of the need for stability and planning in the industry, it will be important for the Government to signal its general intentions with regard to the continuation of the Broadcast Fund beyond 1987/88 as soon as possible. The study team believes that Telefilm has been sufficiently successful to justify funding at a comparable level for an additional two years, by which time the nature of future programming and the appropriate level of continued funding can be determined in the light of the results of the comprehensive evaluation. Program modifications could, of course, be made as soon as the evaluation results were available.

OPTIONS

The study team recommends to the Task force that the government consider the following:

1. In order to provide a sound legal basis for existing Telefilm activities and to re-establish Telefilm's arm's-length status by removing the need for a separate MOU for the Broadcast Fund, the CFDC Act be amended so as to:

   a. Confirm the name change to Telefilm.

   b. Remove the notion of "feature film" and enlarge the definition of "film" to encompass the wide range of audio-visual productions now supported by Telefilm.

c. Amend the definition of "film activity" so that it will be broad enough to include "promotion" as well as "production".

d. Effect other changes as may be considered desirable by Telefilm and as may be agreed to by the Minister and the Government.

2. Before January 1986, revise the MOU regarding the Broadcast Fund to allow Telefilm more flexibility in administering the Fund so as to more effectively promote its cultural and commercial objectives within the following general guidelines:

   - one-third should be considered the normal maximum level for Telefilm assistance for film and video production;

   - Telefilm should not become a majority partner for any film, i.e. the maximum should never be greater than 49 per cent; and

   - even in cases where specific cultural objectives justify a level higher than one-third, the commercial goal must also be a significant factor in assessing whether a production should be funded.

3. If solutions are found to the problems related to the distribution and exhibition of Canadian films in Canadian cinemas, ensure more balanced funding for theatrical films without increasing the total funding now allocated to the film and video sector via Telefilm, the NFB and the Capital Cost Allowance.

4. The evaluation of the Broadcast Fund be postponed until 1987/88 and that it and other Telefilm programs be evaluated at that time in the context of a comprehensive evaluation of all government programs for the film and video sector.

5. To ensure stability and to facilitate the planning required to promote the continued development of the film and video industry in Canada, funding for the Broadcast Fund be maintained at a comparable level for 1988/89 and 1989/90.

NATIONAL FILM BOARD

OBJECTIVE

To provide "cultural interpretation and presentation of Canada, as well as service and support to departments and agencies of the government, through the medium of film." (Note: This objective is based on the National Film Act which has not been updated in light of the changes introduced since the 1984 film and video policy.)

AUTHORITY

The National Film Act, 1950.

DESCRIPTION

The Board

The National Film Board (NFB) consists of the commissioner who acts as chairman, and eight other Order-in-Council appointments, three of whom must be from the Public Service. The NFB is designated as a department for the purposes of the Financial Administration Act. The commissioner reports to the Minister of Communications. Although the NFB is thus subject to the direction and control of the minister, actual practice has always been to maintain an 'arm's-length' relationship which allows independent decision-making on creativity and output.

Activities

The major activities of the NFB are production and distribution. Technical services (e.g., laboratory processing, camera, sound recording and projection facilities, animation photography, titling, and visual effects) are carried out in support of production and distribution. Less than five per cent of total NFB resources are devoted to training and research activities.

In the production area, the NFB produces and co-produces films, filmstrips and slide shows at headquarters in Montreal and five other regional production centres in Halifax, Toronto, Winnipeg, Edmonton and Vancouver.

NFB films are distributed through direct sales, the rental and loan of prints and videocassettes, and bookings to theatres and television. Market testing and audience research, promotion and publicity are also carried out. These services are in part delivered through a regional film library network of 29 audio-visual centres which provide films and videocassettes to organizations and individuals. The NFB also undertakes the foreign marketing and sale of its products both in Montreal and by NFB representatives located in Telefilm Canada offices abroad.

The NFB indicates that the sale and rental prices for NFB films and videos reflect commercial rates where feasible and what the market will support for the less commercial productions which constitute the majority of its output.

EXPENDITURES ($ million)

	83/84	84/85	85/86	86/87	87/88
Total parliamentary allocation*	58.4	62.3	61.7	61.8	61.9
Person-years (controlled)	947	789	750	750	
Person-years (non-controlled)	120	140	n/a	n/a	

* excluding Revolving Fund drawdown

In addition to funds appropriated by Parliament, the NFB plans to disburse in 1985/86 about $13 million in revenues from co-production, sponsored films and distribution. Revenue projections are not included in the table above because they are difficult to predict. Major changes result from co-production and sponsored film activities.

BENEFICIARIES

The Canadian film and video industry and the Canadian and foreign public.

OBSERVATIONS

Applebaum-Hébert and the 1984 Film and Video Policy

The Applebaum-Hébert Report (1982) concluded that the output of the NFB no longer represented a "significant film experience for the Canadian public", and that the "NFB's share of the federal government resources for film cannot be justified if judged by the cultural benefits Canadians now receive from the NFB". It concluded that the NFB should be transformed into a "centre for advanced research and training" in the art and science of film and video production.

The 1984 film and video policy revised the role of the NFB to highlight research, development and training activities. The policy diverged from Applebaum-Hébert in its strong affirmation of the production role of the NFB. The NFB was to become a world-class centre of production excellence, producing "on the frontiers of artistic possibility". If the board was seen as an "instrument for the high quality, in-depth, occasionally philosophic exploration of fundamental issues, trends and concerns of importance to Canada and the world." In this way, the NFB was seen as clearly complementing and not competing with the film production role of the private sector.

The 1984 policy also called on the NFB to contract out most film-making work, while retaining control as producer. All in-house production of films sponsored by federal departments and agencies was to be phased out over three years, in favour of contracting out to the private sector. The Department of Supply and Services assumed responsibility for sponsored production in November 1984.

The 1984 policy did not provide explicit direction on how resources were to be divided among the various components of the new NFB, although funds freed up from restructuring were to be reallocated to support the new production role, research and training. It should also be noted that, despite the intended focussing of the production role, and although a very significant reduction in permanent staff was envisaged, no decrease in funding was planned.

The government has neither explicitly endorsed nor disavowed the 1984 policy as it concerns the NFB.

In discussion with the National Film Board, it is evident the board adheres strongly to production and distribution as the core of its mandate, while putting less emphasis on research and training activities. Although it is planned to double expenditures in both research and training by 1989/90, the total allocated to these activities will still be less than 10 per cent of the parliamentary allocation. The emphasis in training is on retraining of NFB staff in positions being declared surplus, skills upgrading for permanent staff and specific training for women.

In order to have access to the most talented filmmakers, the NFB will retain a core of permanent directors, but reduce its permanent staff and increase from the number of films produced by freelancers. Regional production will be increased. A commitment has also been made to reduce administrative overhead.

The NFB is of the view that it should produce films that can compete in the marketplace, but are also social and cultural in character, and profoundly cinematic in nature. Board officials assert that NFB films should focus on the bilingual, multicultural, multi-ethnic and regional realities of Canada, on the needs of minority groups and specialized audiences and on Canada's international role and responsibilities, with emphasis on the importance of supporting women filmmakers. The NFB sees a role in developing international aid and joint technical cooperation programs in addition to producing a limited number of prime time films with broad public appeal. It is planned to significantly increase the number of films produced.

In the area of distribution, Board officials emphasize the need for:

- consolidation and transformation of the existing 29 regional offices into 12 audio-visual centres, one per province plus one extra each for Ontario and Quebec;
- negotiations with public institutions to take over distribution in centres where NFB offices are to be closed;
- efforts to increase accessibility through agreements with community organizations, public cultural institutions, and educational systems; and
- increased efforts to have NFB productions shown on television or through cinema chains.

ASSESSMENT

The NFB was founded before television arrived in Canada and when the private film industry was virtually non-existent. Its mandate was to counteract the influence of foreign films which constituted, according to Massey-Lévesque, "not only the most potent but also the most alien of the influences shaping our Canadian life". The NFB was "to interpret Canada to Canadians and to other nations".

As indicated by Applebaum-Hébert 30 years later, this role is now shared with and dominated by private sector filmmakers and by CBC news and public affairs programming. Yet the NFB's budget has not decreased in real terms.

The study team endorses the private sector thrust of the 1984 film and video policy and believes that, as the private sector increases in strength, the production role of the NFB should become more focussed. Although the study team does not disagree with the thrust of NFB's expressed intentions for production,it is believed that the treatment of these subjects should be as proposed in the 1984 film and video policy, that is, high quality, in-depth, and philosophic treatments of basic issues of importance to Canadians, which would not be undertaken by the private sector.

This more focussed production role could be carried out by producing fewer films within a reduced budget. Since the NFB's budget has not yet decreased in real terms, despite the increased activity of the private sector and the significant funds now being devoted to Telefilm, the study team believes that a significant reduction could be initiated immediately.

It is possible that within a few years, if the private sector continues to develop, it will be difficult to justify a major continuing production role for the NFB. In the view of the study team, a comprehensive evaluation of the government's film programs, including the NFB, Telefilm and the Capital Cost Allowance, should be undertaken in 1987/88. The continuing production role of the NFB should be assessed at that time in light of the achievements of the private sector and the capacity and willingness of the private sector to produce culturally- and socially-relevant films.

Not enough information was available to enable the study team to assess the potential cost-effectiveness of the consolidated and enhanced audio-visual centres. The study team believes that more information should be provided on those plans. The study team agrees with efforts to increase accessibility through community organizations, public cultural institutions, educational systems, and through existing commercial television and cinema channels. The study team believes that a fully cooperative relationship between the CBC and NFB is crucial to success in this area.

The study team is aware that to effect a significant reduction in the NFB will impose further disruption on the already difficult changes now taking place within the NFB. In addition to the organizational restructuring now taking place and staff reductions planned between now and 1989/90, the existing NFB management has been focussing on an increasing and dynamic production role. After several years of uncertainty, the NFB is awaiting confirmation of this new role. A major reduction will be traumatic for the NFB and will almost certainly involve layoffs.

The five-year plan does not provide detailed financial information on implementation. Without this information, such as the cost of the audio-visual centres, and without an in-depth knowledge of the constraints on the NFB which may exist, such as union contracts and accommodation costs, it is difficult for the study team to propose either a precisely appropriate size for the NFB budget or a schedule for downsizing. Individual private sector representatives consulted by the team suggested that the NFB could carry out its essential role in production, distribution, training and research with a budget of between $5 million and $15 million. The study team believes that such drastic reduction would not be appropriate at this time, because private sector production is not yet firmly enough established. At this time, the study team is proposing an annual reduction of $20 million in the parliamentary appropriation to be reached over a five-year period. The comprehensive evaluation would no doubt dictate the precisely appropriate level which can be determined at that time. The study team does believe, however, that reduction in the order of $5 million in 1986/87, $10 million in 1987/88 and $15 million in 1988/89 could be initiated immediately.

The study team agrees with Applebaum-Hébert, the 1984 film and video policy and many in the private sector that the NFB should provide specialized training to talented and experienced personnel involved in all aspects of filmmaking and that the NFB should undertake research into experimental areas of film and video production. It is clear from the five-year plan, however, that despite forecast budget increases, the NFB itself has not yet devoted significant attention to new initiatives in these areas. The study team believes that the NFB should devote more attention to more precisely defining its role in these areas. The comprehensive evaluation suggested for 1987/88 should address these matters.

The composition of the Board itself is no longer appropriate since the sponsored production role has been given to Supply and Services Canada (SSC). Rather than three public servants, the study team believes that representation from private sector filmmakers, broadcasters and distributors should be considered. While the study team recognizes the potential conflict of interest inherent in this suggestion, the study team believes that it should be possible to carefully select Board members from the private sector while avoiding conflict of interest. Amendments to the National Film Act would be required to effect this change. Recent changes in mandate (e.g., the training role and the transfer of sponsored production to SSC) would also require amendments to the Act. The anomaly of the NFB being scheduled as a government department for the purpose of the FAA was recognized by Applebaum-Hébert and the 1984 film and video policy. The study team believes, however, that any legislative change should await the clarification of the NFB's long-term role in production, training and research.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. Request the NFB to develop a Corporate Strategy to reflect:

   - a more focussed role in production concentrated on high quality, in-depth and philosophical treatment of issues of importance to Canadians and not in competition with private sector productions;

   - the intention to produce fewer films; and

   - budget reductions of $5 million in 1986/87, $10 million in 1987/88, $15 million in 1988/89, and $20 million in 1989/90.

2. Request the NFB to include in its Corporate Strategy a more detailed rationale for, and description of, the proposed consolidated and enhanced audio-visual centres and the other promotion and distribution programs, including detailed financial information and proposed performance measurement criteria.

3. Request the NFB to prepare its 1986/87 Fall multi-year operational plan submission based on the above reductions in 1986/87, 1987/88 and 1988/89.

4. Undertake a comprehensive evaluation of all government programs in the film sector in 1987/88 which, with regard to the NFB, should focus on:

   - the necessity for the continued existence of the NFB;
   - the continued validity of the NFB's production role in light of the strength of the private sector and its willingness and capacity to produce culturally and socially relevant films;
   - the nature of the NFB's training and research roles; and
   - the success of the NFB's distribution programs in reaching Canadians.

FILM AND VIDEO PROGRAMS
CANADA COUNCIL

OBJECTIVE:

To foster and promote the development of film as a medium of personal artistic expression, to stimulate independent and non-commercial film activity and develop an environment in which such activity can flourish and be appreciated.

AUTHORITY

The Canada Council Act.

DESCRIPTION

Assistance is provided to film and video artists and organizations, mainly through the Media Arts Section of the Canada Council. Some assistance is also provided through the New Horizons Program.

Grants to artists are intended to support professional film and video artists in such areas as pre-production research; script writing; technical and conceptual experimentation; apprenticeship; advanced film studies; language versioning; travel to take part in panels, symposia or festivals; arranging video shows or setting up video installations; and studio or equipment rental. Priority is given to projects and applicants which demonstrate an original, innovative, and experimental approach to film and video.

Grants are available to professional, non-profit organizations operating in the areas of film production, distribution and exhibition and service groups for independent film artists. Grants may cover part of operating costs, and/or programming or project costs and, in the case of film production organizations, the purchase or rental of equipment.

EXPENDITURES ($ million)

	1983/84	1984/85	1985/86	1986/87	1987/88
Program costs	2.8	3.2	3.2	3.2	3.2
Person-years (non-controlled)			7	7	7

The above figures include some funds for holography but do not include assistance to film and video through the Explorations Program which is dealt with under the Visual and Performing Arts sector.

BENEFICIARIES

Film and video artists and organizations.

ASSESSMENT

As indicated, the emphasis of these programs is on original, innovative and experimental film and video and on developing the artist as opposed to improving the film and video product itself. It is considered complementary to NFB and Telefilm programs and makes an important contribution to the development of film and video as an art form.

The comprehensive assessment of Canada Council programming is included in the Performing and Visual Arts Sector.

The study team proposes that no change be made to the film and video programs of the Canada Council.

CANADIAN FILM AND VIDEOTAPE CERTIFICATION OFFICE
DEPARTMENT OF COMMUNICATIONS

OBJECTIVE

To administer the 100 per cent capital cost allowance (CCA) provision for certified Canadian films by providing certification and thus help to attract private investment for the production of feature and short films and videos in Canada.

AUTHORITY

The Income Tax Act and Regulations.

DESCRIPTION

The Canadian government introduced the 100 per cent capital cost allowance (CCA) for Canadian feature films in 1974 as a means of increasing private sector support for the Canadian film industry. The assessment of this investment incentive is included in the study team's paper on Tax Expenditures and Other Indirect Subsidies for Arts and Cultural Activities.

The Canadian Film and Videotape Certification Office processes all applications from Canadian producers regarding the eligibility of their film or video productions to receive the 100 per cent CCA. It is, in effect, the licencing and monitoring mechanism for this program. The office is part of the Cultural Programs Branch of the Department of Communications.

The office is small, as its budget and person-years reflect. It commissions a modest amount of research work pertinent to the industry. A partial cost recovery program was implemented in 1982/83, and in fiscal 1984/85 revenues amounted to about $30 thousand.

EXPENDITURES

In 1985/86, resources total $0.3 million and six person-years

BENEFICIARIES

The Canadian film industry.

ASSESSMENT

The study team received no complaints from private sector representatives concerning the administration of the CCA.

The study team proposes that no change be made to the Canadian Film and Videotape Certification Office while the capital cost allowance for film production remains in effect.

CITÉ DU CINÉMA

OBJECTIVE

To promote Canadian and Quebec film and television production that is distinctive, appealing and of high quality, particularly in French; to strengthen the film and video production industry in Montreal, Quebec and Canada; to attract foreign producers to Quebec and increase demand for services and employment in the sector in Quebec.

AUTHORITY

This project was included in the Canada-Quebec subsidiary agreement on Cultural Infrastructure, signed by the Minister of Communications and Quebec's Minister of Cultural Affairs on March 29, 1985.

DESCRIPTION

The Cité du Cinéma project involves the establishment of a film and television production centre capable of either offering or coordinating the full range of services required for film and video pre-production, production and post-production. Federal, provincial and private sector involvement is anticipated.

A federal/provincial management committee, co-chaired by senior departmental officials appointed respectively by their ministers, is responsible for the overall management of the agreement.

The organizational structure of the Cité and its relationship to both levels of government have yet to be defined.

Preliminary studies on the project's feasibility, marketing, cost estimates and possible management structures were undertaken and completed in 1984, along with consultations with industry representatives and other interested parties. On December 17, 1984 the Canadian and Quebec governments jointly commissioned a full implementation study to: inventory existing production services; study national and international demand for these services in the North American market; define production infrastructure needs in Montreal; define the Cité's program of activities in detail; outline the facilities and equipment required; determine the services to be provided exclusively by the private sector; establish a business and marketing plan for the Cité; and develop a plan to promote implementation of the project. This study is scheduled for completion in the fall of 1985.

EXPENDITURES

The contribution to be made by both levels of government to the project will not exceed $15 million over the next five years ($7.5 million each from the federal and Quebec governments).

BENEFICIARIES

The various segments of the Canadian film and video industry. Increased production would provide increased employment and business opportunities for Montreal and Quebec.

OBSERVATIONS

The relatively low value of the Canadian dollar compared to that of the U.S. dollar is drawing American production to Canada. British Columbia in particular, because of its proximity to Los Angeles, its climate and its west coast production values, is enjoying a production boom ($70 million last year). New production facilities are now being discussed for both Toronto and Vancouver, although the level of federal funding initially being proposed is significantly less than that provisionally approved for Montreal.

Several jurisdictions in the U.S. have now established concessionary programs to attract film productions and this area of industry activity will in all likelihood continue to be open to incentives of various kinds.

It was indicated to the study team that existing NFB, CBC and private sector facilities in Montreal are not being used to capacity.

ASSESSMENT

There remains considerable doubt that this project represents a pressing need and should be considered a priority item. Most private sector representatives consulted by the team strongly-questioned federal involvement in the provision of such facilities which they maintained would be provided by the private sector if demand warranted. They also questioned the investment in large capital facilities at a time of rapid technological change and obsolescence.

The study team believes that funding of the Cité du Cinéma project and other proposals for Toronto and Vancouver should be considered concurrently in the light of the total potential demand for such facilities in Canada and the possible excess capacity of existing facilities. The study team also believes that any proposal related to this project or to the Toronto and Vancouver projects should be submitted together for consideration by the government.

While recognizing that a commitment has been made and that final decisions will await the results of the implementation study, the study team has serious reservations about the value of this project.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. After the completion of the implementation study on the Cité du Cinéma, any resulting proposal related to the Cité du Cinéma and/or any other film and video production facilities being proposed for Vancouver or Toronto be reviewed to ensure that the following issues are addressed:
    a. Does the total likely or potential demand for facilities in this industry justify the three facilities being proposed and/or discussed for Montreal, Toronto and Vancouver?
    b. Would existing facilities be duplicated by this project; is the need for a "critical mass" of filmmaking facilities being translated unnecessarily into an expressed need for totally new and discrete facilities?
    c. In line with b. above, could existing facilities at the NFB or elsewhere not, with modest augmentation, achieve results which would meet potential demands?

d. If the demand for production facilities is substantiated, such facilities should not be provided entirely by the private sector, and

e. Does the demand, even if substantiated at this time, take into account the rapid technological change now taking place within the industry?

CANADIAN GOVERNMENT FILM AND VIDEO CENTRE
SUPPLY AND SERVICES CANADA

OBJECTIVE

Within the Printing and Communications Activity of the Department of Supply and Services' Program to produce and/or provide on a timely basis satisfactory to the Supply and Services' customers and in the most economical manner, printing, publishing, advertising, audio-visual and expositions services required by departments and agencies, taking into account the contribution of the department to the realization of national objectives.

AUTHORITY

The Financial Administration Act (FAA), the Department of Supply and Services (SSC) Act and the National Film Act.

DESCRIPTION

The Centre is the common service agency that produces or procures film, video and photographic services on behalf of departmental clients. Departments listed under schedule A or B of the FAA are required by the Treasury Board Common Services Policy to have their film production and photographic processing supplied through the Centre. Crown Corporations are encouraged to use the services of the Centre. The Treasury Board policy has not been updated to include video.

The Centre comprises the Photo Centre, the Sponsored Program, and the Media Training groups. The first two of these were transferred to SSC from the National Film Board (NFB) effective October 1, 1984, pursuant to the 1984 film and video policy.

The Photo Centre Group offers film processing, printing, duplicating, as well as a photographic image library (photothèque), and a photo assignment resource available for requirements anywhere in Canada. Services are provided both in-house (53 per cent in 1985/86) and by contract (47 per cent in 1985/86) with the private sector. SSC is progressively increasing its contracting-out as comparable cost effectiveness and services can be obtained from the private sector.

The Sponsored Program Group delivers, through private sector producers, audio-visual products to government departments and provides consulting, programming, production, distribution and administrative services. Contracts, production and distribution agreements with the private sector are arranged for motion picture films, videotapes, videodiscs, slide shows, film strips, and multi-media packages.

The Media Training Group is a small activity which provides video production and related services for federal government orientation and operational training requirements. The facility has expertise in both studio and field productions. Both in-house and private sector services are employed. The group has won several awards for its productions.

All three programs now operate on a full cost-recovery basis with rate structures approved annually by Treasury Board. Although the NFB did operate the Photo Centre on a full cost-recovery basis, the Board did not recover administrative costs of personal production.

EXPENDITURES ($ million)

	83/84*	**84/85****	**85/86**	**86/87**	**87/88**
Revenue	13.2	14.0	16.1	17.3	17.3
Cost of Product	(10.8)	(11.0)	(12.0)	(13.1)	(13.1)
Gross Margin	2.4	3.1	4.1	4.2	4.2
Operating Costs	(2.9)	(3.0)	(3.7)	(3.5)	(3.5)
Margin for SSC Overhead	(.5)	.1	.4	.7	.7
Person-Years	78	80	79	77	77

* Photo Centre and Sponsored Production under NFB management

** Photo Centre and Sponsored Production under NFB management for first six months

OBSERVATIONS

This assessment focuses on the film policy aspects of the Centre's operations (e.g., the private sector thrust and the transfer of the Photo Centre and Sponsored Program groups from the NFB). The efficiency and effectiveness aspects of the Centre's programs as a common service are being dealt with by the Study Team on Government Procurement.

Although the NFB was contracting out in both sponsored production and photographic services, the rationale for transferring the two programs to SSC was to increase private sector involvement and also to allow the NFB to focus on quality production in keeping with its "cultural and social role as a centre of excellence in the production area".

SSC and NFB agreed at the time of the transfer from the NFB that on a declining basis 30 per cent, 20 and then 10 per cent of all government-sponsored film and video production over a three-year period beginning in 1984/85 would be done by NFB production studios. The 30 per cent target was not reached in 1984/85. According to SSC, the agreement was based on unrealistic estimates of Sponsored Program group activity in 1984/85.

It was also agreed that by 1987/88, all government film production would be done by the private sector through SSC, with certain defined exceptions. It was recognized that the NFB's mandate to produce "socially and culturally relevant" films could, in limited areas, correspond to the special needs of certain federal programs. For example, NFB's Studio "D" which makes films for, about and usually by women, is producing films in cooperation with federal women's programs. In such an area, if the NFB is willing to cover 50 per cent or more of project costs, SSC would not be involved. It was also agreed that, in the rare cases where NFB's unique technical and production expertise is required, exceptions will also be made.

Other advantages of the transfer cited by SSC at the time included the consolidation of all government public communications requirements in SSC, the strengthening of regional economic development through contracting out and the encouragement of additional opportunities for Canadian small business.

ASSESSMENT

The rationale for the transfer of NFB functions in sponsored products and photo services to SSC remains valid in the view of the study team. It is too soon to assess SSC's management of this program.

The Centre's intention to gradually increase contracting out for the Photo Centre Group is considered reasonable.

The Centre and the NFB are attempting to resolve the issues surrounding the wind-down of NFB involvement in sponsored production. The study team believes that the level of NFB activity in 1985/86 and 1986/87 should be based on departmental willingness to utilize NFB services. There should be no obligation on the part of SSC to increase NFB activity to make up for any failure to reach unrealistic targets, since this would have to be done at the expense of the private sector.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The level of NFB involvement in sponsored production for 1985/86 and 1986/87 should be based on a realistic assessment of departmental demand for NFB services and if this demand does not materialize, in keeping with the private sector thrust of the 1984 film and video policy, NFB involvement should be reduced more quickly.

2. Any revisions to the Treasury Board Common Services Policy should include video in the section on film production.

WRITING AND PUBLISHING

OVERVIEW

INTRODUCTION

In its terms of reference the study team was asked to review programs designed to promote the writing, publication and reading of Canadian books, magazines and articles, a sector which involves some twelve federal programs and an estimated annual expenditure of $80 million, of which $55.1 million is devoted to the Concessionary Postal Rate Subsidy for periodicals, newspapers and books.

The study team is aware that the Department of Communications (DOC) is developing a comprehensive and long-term strategy for the Canadian publishing industry and that the Minister of Communications recently announced a policy to govern foreign investment in the book publishing and distribution sector. The team thus presents its assessments and conclusions in this context and in three broad categories: support to the book publishing industry, to the periodical industry and to writers.

BOOK PUBLISHING

The book publishing industry is complex and not homogeneous. It is composed of various types of publishing, each with its own characteristics and conditions and characterized by patterns of ownership and geographic structure.

Types of Publishing

Educational publishing involves the publication of textbooks for schools at all levels, as well as related instructional material, such as workbooks, software, etc. This is generally the most profitable publishing sector. However, it is expensive 'up front' because of research and development costs and the long lead time required to produce a title. It also requires highly-specialized marketing skills.

Trade publishing includes all publishing normally marketed through retail bookstores (e.g. fiction, poetry, history, biography, belles-lettres, how-to books, cookbooks, reference works and juvenile literature). It is generally the least profitable sector and is riskier than educational publishing, though many firms operate profitably. The least profitable area in trade publishing involves culturally significant titles which are of special importance at the policy level and include works of serious fiction, drama, short stories, verse, serious non-fiction and children's literature. This sector is sometimes referred to as 'literary' publishing.

Scholarly publishing includes the publication of titles within the usual academic disciplines. Because of the extremely small market for such books, scholarly publishing is rarely profitable overall, though individual books may do well. Most developed countries support their scholarly presses (usually university presses) in some way but in Canada, much scholarly publishing is also undertaken by small independent publishers and there are few university presses with publishing programs of any size in the English language.

Patterns of Ownership

Publishing companies in Canada can be divided into two broad categories according to their ownership. Foreign-owned publishers are subsidiaries of American, British or French parent companies who use them to distribute their books in Canada and to publish an independent Canadian line to varying degrees. Foreign publishers established themselves in Canada in the 1950s, and as the market expanded and became more profitable, they have grown to dominate the market, particularly in the area of educational publishing.

Numerically, there are considerably more Canadian-owned publishers, many of which are small and engaged in literary or scholarly publishing with a much smaller share of the market than their foreign-owned competitors. Nevertheless, a few large Canadian-owned companies in the educational and trade publishing fields manage to compete effectively.

Geographical Distribution

English-language publishing is centred in Toronto: all foreign-owned publishers have head offices there, as do many of the large and medium-sized Canadian-owned publishers. Most small, Canadian-owned publishers are located in cities other than Toronto and have often been established to meet some perceived local or regional publishing need.

French-language publishing is centred in Montreal with a similar distribution of smaller publishers in smaller centres. The penetration of the French market by foreign publishers is somewhat more recent than in the English market but is increasing. It can be argued that publishing in the French language is more precarious by virtue of the small size of the market alone. UNESCO has determined that an indigenous publishing industry can be supported by a country with a population of 10 million. Canada's French-speaking population, both inside and outside of Quebec, falls well short of this level. However, a few publishers do well, having diversified and become aggressive in the international francophone market.

Industry Problems

The book publishing industry in Canada faces a number of problems. Some of these are external and apply equally to foreign- and Canadian-owned publishers; others are internal and apply mostly to the Canadian-owned segment of the industry.

First, the Canadian book market is relatively small and is widely distributed geographically. The problem, though historically important, should not be over-emphasized today. Though small in comparison to the American situation, the Canadian market exceeds $1 billion per year and is well supported by Canada's transportation system. Nevertheless, a smaller market implies higher unit costs and lower profit margins.

Second, the Canadian publishing industry suffers from operating in close proximity to, and to a degree in competition with, the largest publishing industry in the English-speaking world. A zero-level tariff barrier allows American books to be imported into Canada and sold in direct competition with books published here, with significant impact on the Canadian industry. The sheer size of the U.S. market provides American publishing with much lower unit costs and higher profit margins. The flood of well-publicized and marketed U.S. books in Canada often forces Canadian publishers to price their books well below what their profit margin should normally allow.

Third, because of Canada's weakness in other cultural industries, Canadian publishers have less opportunity to profit from the sale of subsidiary rights of the titles they publish. Publishers normally derive considerable revenue from the sale of such rights (e.g., for mass market paperbacks, film, television, magazine serials, etc.). Because the Canadian film and independent television production industries are still developing, and because the Canadian mass market paperback industry is dominated by foreign firms, Canadian publishers normally cannot count on substantial revenues from these sources.

Fourth, Canadian publishers tend to be 'locked out' from publishing important foreign authors in the Canadian market. Historically, because of the relatively small size of the Canadian market, foreign publishers have treated 'Canadian territory' as marginal, and Canadian rights to most foreign titles have usually been included as part of the U.S. or U.K. rights. This effectively denies Canadian publishers access to some of the more profitable titles of foreign authors. This problem is especially severe for Canadian-owned publishers. Foreign-owned firms at least have access to their parent companies' titles.

Fifth, lack of capitalization within the Canadian-owned publishing industry compounds all of the above problems. Sufficient capitalization is crucial because of the relatively long 'income cycle' of the book publishing industry. Very substantial editorial, production, marketing and distribution costs must be carried up-front by the publisher before any cash flow results from the firm's 'list' of titles. In order to maximize returns, the publisher must keep its titles in print for substantial periods (i.e. maintain a "backlist"). Many Canadian-owned publishers, being newer and smaller, are not able to publish enough titles in any given year and do not have an adequate back-list to generate capital internally. In addition, because of their lack of capital, they are unable to enter the more profitable but highly capital-intensive areas, such as educational or mass market paperback publishing. Thus the Canadian-owned publishers' lack of capitalization becomes a circular problem.

It is then easy to understand why most conventional lenders do not look favourably at most Canadian-owned publishers. Their assets are considered too "soft", particularly with the current "return" policies of the publishing industry through which booksellers take books on consignment only and return their unsold inventory. Book publishers' accounts receivable and inventories are, therefore, difficult to ascertain at any given time.

In fact, industry suppliers, such as printers, are probably the most important sources of capital to Canadian-owned publishers through the credit they advance. And this, perhaps, is the simplest statement of the weakness of the capital structure of the Canadian industry. No matter how patient printers and typesetters may be, they do not, quite properly, see themselves as bankers.

In sum, the negative consequences of this situation for Canadian-owned publishers are that they do not have sufficient capital for certain crucial purposes. They cannot invest in the development of back-lists that can be a stable source of ongoing revenue. They have limited resources to market and promote the titles they do publish. They cannot afford the up-front costs required to enter such lucrative fields as educational and mass market publishing. They cannot pursue the Canadian rights to foreign titles which might prove lucrative.

As a further consequence, Canadian-owned publishers are attracted by those titles which require relatively little capital. Unfortunately, these titles tend to be the least profitable. "Literary" Canadian publishing, where Canadian-owned firms do dominate, requires the least capital outlay, and development, editorial, production and distribution costs are small. The returns on this kind of publishing are also marginal.

In sum, the weak capitalization of the Canadian-owned publishing industry is a circular problem that tends to confine Canadian-owned firms to the least lucrative forms of publishing within the industry.

Overview of Programs

The federal government has developed a number of programs to assist the book publishing industry with a particular industry problem or a particular activity. In addition, there are other measures and programs not specific to the publishing sector which are relevant to the industry.

Although most provinces had no programs to support publishers in 1972, all provincial governments now provide some form of assistance, ranging from project grants to loan guarantees and interest subsidies.

Major Programs

This overview focusses on the two major federal programs of support to book publishing: the Book Publishing Development Program (BPDP) of the Department of Communications (DOC) ($8.3 million in eight components) and those portions of the Writing and Publication Program of the Canada Council directed towards publishers ($4.6 million in seven components).

Both the DOC and Canada Council programs appear to be based on the same key assumptions: the production and publication of Canadian-authored culturally significant titles is essential to maintain Canada's national and cultural identity; Canadian-owned publishers produce culturally significant titles to a much greater extent than foreign-owned publishers; and, therefore, Canada must have a Canadian-owned publishing industry.

The recently announced policy on foreign investment in the publishing industry is based on the same assumption -- that Canada should have its own publishing industry.

The thesis of the BPDP, introduced in 1978 because of the Canadian-owned sector's financial difficulties, was that the best way to ensure the publication of Canadian-authored titles was to have a viable Canadian-owned publishing industry.

The majority of the funds provided operating capital in the form of grants to both trade and educational publishers, and its components were structured to address specific industry problems (e.g. distribution, management and information). Grants are made according to a formula based on volume of sales and size of market. An extensive evaluation, prior to BPDP's original sunset date of March 31, 1985, and the review by the Study Team on Services and Subsidies to Business both concluded that although the assumptions underlying BPDP were valid, the program had not achieved its objective of developing a viable Canadian-owned publishing industry. The latter study proposed the program's extension but at a lower funding level, with substantially revised and more stringent eligibility criteria and closer monitoring by DOC. The government has extended the program for an additional year with $8.7 million in resources and new measures to improve the accountability of Canadian publishers, pending the development of a strategy to govern the Canadian publishing industry.

The Canada Council's mandate is to foster the production and promotion of culturally significant writing, which the council believes will always have to be subsidized. The council's programs provide direct subsidies to publishers to cover some of the costs associated with eligible titles (block and project grants), as well as assisting in distribution and promotion of the titles of subsidized publishers. Since the Canada Council limits its support to Canadian-owned publishers, the programs acquire an industry-support dimension.

This program has been in existence since 1972, and many grant recipients would founder without it. With the advent of the DOC program, the Canada Council adjusted the level of its grants to take into account any funds publishers receive from DOC. This adjustment resulted in some publishers using the DOC grant to make up the deficit on culturally significant titles, which are the least commercially viable titles.

Although it is true that the BPDP operated over a period of economic turndown which undoubtedly lessened the effectiveness of the program, the study team believes that the interaction between the Canada Council programs and the BPDP is one of the main reasons why the DOC program did not meet its stated objective. The program essentially redirected funds which were intended to create a viable industry into subsidizing the publishing of the least commercially viable titles. The study team further believes that the practice of basing grants on sales without regard to profitability does not reward financial success.

The study team suggests that the existing mix of Canada Council and DOC programs will never result in a commercially viable Canadian-owned publishing industry.

Furthermore, in light of the control provincial governments can exercise on the lucrative educational and textbook publishing sector, the study team believes that provincial governments have a crucial role to play in supporting the development of a viable Canadian-owned book publishing industry. The study team, therefore, fully supports the Minister of Communications' initiative to persuade the provinces of the desirability of encouraging textbooks used in elementary and high schools to be written by Canadians, published by Canadian-owned publishers and printed in Canada.

The study team is aware that a new industry-oriented federal program could result in fewer, but profitable, publishers. Much of the adjustment could occur in regional and local centres, and it may be in the interest of the provincial governments to maintain certain of these publishing enterprises. The study team feels that it would be incumbent upon provincial authorities to take whatever remedial action they see fit in that regard.

Other Programs

Aid to Scholarly Publications (Social Sciences and Humanities Research Council [SSHRC]): this $1.1 million program is intended to assist in the publication of scholarly works. SSHRC's delegation of the program administration to the Social Sciences Federation of Canada and the Canadian Federation for the Humanities has had a significant impact on the program: administration costs are enormous (30 per cent), the 'arms-length' relationship between the grantor and grantee is lost, and the evaluation of projects is repetitive, expensive and time consuming (up to three years).

Co-publishing Program (Supply and Services): the purpose of this program is to increase the government's efficiency in its own publishing activity while at the same time give eligible publishers access to saleable government manuscripts. While initially the program provided direct subsidies to publishers, it has reduced this practice considerably in recent years and introduced a much more professional approach to the negotiation of agreements with publishers. The program appears to work well.

Program for Export Market Development (External Affairs): this program of general application is available to publishers if they meet the eligibility criteria. The program has probably not done much for the industry as a whole, but may well have been useful to the publishers who have taken advantage of it.

Trade Fairs and Missions (External Affairs): this program of general application is available to the publishing industry. The program has helped some Canadian publishers attend international trade fairs.

Arts Promotion Program (Literature) (External Affairs): the purpose of this $0.4 million program is to establish a Canadian cultural presence abroad and to open and consolidate new markets for Canadian products. A program of this kind is important as Canadian publishers attempt to increase their foreign markets. However, it is felt the program could be better located elsewhere.

Writing and Publication Program (Secretary of State, Multiculturalism): the purpose of this $1 million program is to support the writing and publication of material which reflects and explains the multicultural nature of Canada. It is effective and currently fills a gap left by other programs. However, this program should not need to exist, as other institutions should be sensitive to and appreciative of the multicultural nature of Canadian society.

Federal Sales Tax Exemptions: the study team's overall conclusion is that there does not appear to be a major cultural benefit behind the sales tax exemption for books, and it believes that the administrative problems of imposing the sales tax can be overcome.

Book and Library Rate Portion of the Postal Subsidy: this subsidy provides below-cost postal rates to publishers, distributors, book clubs, libraries, etc. It is subject to abuse by foreign distributors who ship their books in bulk to Canada in order to take advantage of the lower postal rates. Much of the subsidy in fact goes to foreign books and distributors. The industry would like to have a licencing system for users to eliminate abuse, but the study team judges that the subsidy is not essential to the industry and should be phased out over a period of years.

Periodical Publishing

Periodical publishing is a very mixed bag. It includes general interest periodicals, literary periodicals, academic journals and special interest periodicals. The profitability of the industry varies widely depending on the market and the availability of advertisers.

The problems periodical publishers face are similar to those of book publishers: a small, widely dispersed market; competition from foreign magazines; and for some of the smaller, less commercial magazines, lack of advertising revenue.

The major programs of support to the periodical industry are the postal subsidy and the federal sales tax exemption. In addition, there are programs which support specialized periodicals in the Canada Council ($1.9 million in 1983/84), the Social Sciences and Humanities Research Council (SSHRC) ($2 million in 1985/86), and the Natural Sciences and Engineering Research Council (NSERC) ($0.5 million in 1983/84).

The entire periodicial industry is structured around the existence of the postal subsidy. More Canadian magazines are sold through subscription than on the newsstands. To cease the subsidy immediately would cause major upheavals in the industry. To adjust the marketing and distribution systems, a phase-in period would be necessary.

Relevant federal sales tax exemptions are analysed in the overview of tax expenditures and the conclusions cited above apply to the periodicals sector as well.

Writers

The major programs of support for writers are the Service-Writing and the Writing and Publication Programs of the Canada Council and the Writing and Publication Program of the Multiculturalism Branch of the Department of the Secretary of State.

In addition to these programs, writers are seeking a program of payment for public use of their works.

Most provinces have programs which give grants to writers for material about or of interest to residents of the province. The Canada Council is scrupulous in its efforts to ensure that its funding does not duplicate that of any of the provincial granting agencies.

CONCLUSIONS

The study team believes that at least part of the reason Canadian-owned publishers (and not foreign-owned publishers) publish culturally significant titles is that Canadian-owned publishers are subsidized to do so and foreign-owned publishers are not. The study team, however, recognizes the government's commitment to a Canadian-owned publishing industry contained in the recent policy on foreign investment in the publishing sector and its assessment of the sector is accordingly based on that premise.

The study team concludes that it should be possible to develop a commercially-viable, Canadian-owned publishing industry which will publish a wide range of culturally significant material without the need for permanent operational subsidies, indirect subsidies or tax expenditures. It bases this conclusion on the volume of the market (more than $1 billion) and its size (25 million population). It recognizes that the size of the French market may require that special consideration be given to publishers in the French language.

In the view of the study team, any program or group of programs of support to the industry must address the problems of the industry and not mix cultural objectives with economic ones.

OPTIONS

In the development of a national strategy for the publishing industry, the study team recommends to the Task Force that consideration be given to the following:

1. Industry-Oriented Programs for Book Publishing

    a. All operational subsidies provided by government programs to book publishers be based on the previous track-record and/or business plans of the applicant and its likelihood of achieving better than a break-even position within a reasonable period of time, such as three to five years, and the existing eligibility criteria and monitoring mechanisms for such programs be improved.

    b. As the financial situation of the recipient improves, the operational subsidy be phased out and be replaced gradually by a loan guarantee program, if and when required.

    c. Special consideration be given to publishers in the French language.

    d. Canada Council activities in operational subsidies to book publishers be withdrawn.

e. Existing programs' components directed to distribution (e.g. Canadian Telebook Agency), marketing (including PEMD and Trade Fairs and Missions) and management improvements be retained.

f. The book and library rate portion of the postal subsidies be phased out over a period of time to be determined after consultations with the industry.

g. Books no longer be exempted from federal sales tax.

h. The Co-Publishing Program of Supply and Services be continued, with gradual phase out of government subsidies.

i. Provinces be consulted and, if possible, involved in the articulation of the strategy to create an economically viable Canadian book publishing industry.

2. Culturally-Oriented Programs for Book Publishing

a. Canada Council's programs be directed to writers and to the publication, promotion and translation of specific culturally significant titles, regardless of the publisher's ownership.

b. SSHRC's program of aid to scholarly publishing be continued but the delivery program in SSHRC be revamped to reduce administrative costs and procedures.

c. Multiculturalism's writing and publication program for ethnic writers and titles be phased out, as other existing agencies and departments become more responsive to the multicultural nature of Canada.

d. The promotion of Canadian literature abroad be continued by the Canada Council rather than External Affairs but that External have representative, current Canadian literature available in Canada's posts abroad.

3. Periodical-Oriented Programs

   a. The postal subsidy to periodicals be phased out over a period of time to be determined after consultations with the industry.

   b. The Federal Sales Tax exemption for periodicals be withdrawn.

   c. Canada Council support of literary periodicals be continued.

   d. SSHRC and NSERC support of academic and scholarly periodicals be continued.

4. Writer-Oriented Programs

   a. Canada Council programs of support to writers, be enhanced and be more responsive to the multicultural nature of Canadian society.

   b. Negotiations with the provinces to establish a program of payment for public use be pursued.

SUMMARY OF 1985/86 EXPENDITURES

	($ million)	**PYs**
Book Publishing Development	8.7	n/a
Canada Council Writing and Publication	9.4	15*
EAC Export Development	n/a	n/a
SSHRC - Aid to Scholarly Pubs.	1.1	0
- Aid to Learned Journals	2.0	0
NSERC Scientific Pubs. Grants	0.5	.5
Federal Co-publishing**	0.0	0
EAC Art Promotion (Literature)	.4	n/a
SOS Writing and Publications	1.0	n/a
Canada Council Awards Service***		
Concessionary Postal Rate Subsidy	55.1	n/a
TOTAL	78.2	15*
		0.5

* not-controlled
** not considered as an expenditure for cultural purposes
*** included in Performing Arts sector

BOOK PUBLISHING DEVELOPMENT PROGRAM
DEPARTMENT OF COMMUNICATIONS

OBJECTIVE

To increase the publication, distribution and sales of Canadian authored titles through support of the Canadian publishing industry.

AUTHORITY

Department of Communications Act (1969).

DESCRIPTION

The Book Publishing Development Program (BDPD), established in 1978 to assist the Canadian-owned and controlled segments of the book publishing industry, has eight components, as follows:

1. Sales and marketing assistance ($4.8 million in 1984/85) provides funds to eligible publishers for the publishing of trade (non-educational) books according to a formula based on volume of sales and location and language of market. Payment is made in one lump sum.

2. Canadian textbook and related learning materials assistance ($2.4 million in 1984/85) provides funds to Canadian-owned educational publishers to permit them to market their products at more competitive prices with a view to ending the displacement of Canadian textbooks by foreign publications.

3. Company analysis and implementation assistance ($1 million in 1984/85) gives individual publishers an opportunity to improve management skill by funding studies on their companies' financial and managerial weaknesses and by assisting management to implement the resulting recommendations. Assistance is cost-shared, with the government's share at 60 per cent.

4. Feasibility project and implementation assistance ($0.7 million in 1984/85) provides funds to Canadian-owned publishing firms jointly meeting the program's eligibility criteria to achieve economies of scale in such areas as production, manufacturing, marketing, warehousing or distribution. Any group of two or more publishers may apply, although priority is given to

projects submitted by large segments of the industry which promise benefits to the industry as a whole. The government may pay up to 100 per cent of the costs.

5. Professional development assistance ($0.2 million in 1984/85) provides funds to industry associations by paying for 90 per cent of the cost of implementing professional development programs. In addition, publishers may receive funds to cover the cost of staff members attending courses or seminars.

6. Research and documentation assistance ($0.1 million in 1984/85) provides funds to assist industry associations collect and analyse reliable statistical data on industry operations. The funds are provided on a cost-sharing basis, depending on the merits of the project.

7. Foreign rights marketing assistance ($0.2 million in 1984/85) provides funds for the marketing of foreign rights through participation in international book fairs; and

8. Export marketing assistance ($0.4 million in 1984/85) provides funds to publishers to aid their promotional efforts to expand the export market for Canadian books.

In general, to be eligible for the program, publishers must be 75 per cent Canadian-owned, have publishing as their principal activity, have at least 15 Canadian-authored titles in print, at least four of them published in the two previous years. A minimum of 75 per cent of their Canadian titles must be printed in Canada; and publishers must have between $50,000 to $100,000 in sales depending on location and language of market. Both foreign-owned and Canadian-owned publishers are eligible for assistance, under components 7 and 8 above.

EXPENDITURES

	($ million)				
	83/84	**84/85**	**85/86**	**86/87***	**87/88***
TOTAL	8.3	9.9	8.7		
Person-years	2	2			

*The program, due to terminate March 31, 1985, was extended for one year pending the elaboration of a strategy for the publishing industry.

BENEFICIARIES

Canadian-owned publishers (all components) and foreign-owned publishers (components 7 and 8).

OBSERVATIONS

The program is based on a number of assumptions, the major one being that Canadian-owned publishers, rather than foreign-owned ones, are more likely to publish Canadian titles, particularly culturally significant titles (e.g. poetry, literary fiction, local or regional histories, etc.). It was further assumed that the best way to ensure the continued publication of these titles is to have a viable Canadian-owned publishing industry.

A program evaluation completed by DOC in June 1984 substantiated the BPDP rationale, that increasing the economic viability of Canadian-owned publishers will increase publication and sales of Canadian-authored titles. It concluded, however, that despite the expenditure of some $40 million over five years, the BPDP did not increase the economic viability of the target sector and, consequently, did not increase the average number of Canadian-authored titles published by recipient companies. The sector continues to be afflicted by the same problems that existed when the program was first established. Thus, the evaluation concluded that a revised program of assistance for book publishers was necessary.

The Study Team on Services and Subsidies to Business proposed that BPDP be extended beyond its March 31, 1985 sunset date but at a lower funding level, with substantially revised and more stringent eligibility criteria and with closer monitoring by DOC.

The BPDP has been extended on an interim basis for one year at a level of $8.7 million with improved accountability measures for contributions pending consideration of the Minister of Communications' comprehensive and long-term strategy for the Canadian publishing industry in the fall.

The study team has identified a number of industry-wide problems which contribute to the difficulty Canadian-owned publishers have in achieving profitability. First, the small size and wide geographic distribution of the market lead to higher unit costs and lower profit margins. Second, competition from the American publishing industry forces publishers to price their books well below what their profit margins should normally allow. Third, Canadian publishers cannot count on substantial revenue from the sale of subsidiary rights because of weakness in the other Canadian cultural industries (e.g., film and television production). Fourth, Canadian-owned publishers, in particular, do not have access to some of the more profitable titles of foreign authors because of the historical practices of the book trade. Fifth, the lack of capitalization within the Canadian-owned industry compounds all of the above problems and tends to confine Canadian-owned firms to the least lucrative forms of publishing.

The consequences of this situation for Canadian publishers are that they do not have sufficient capital for certain crucial purposes. They cannot invest in the development of backlists that can be a stable source of ongoing revenue; they have limited resources to market and promote the titles they do publish; they cannot afford the up-front costs required to enter such lucrative fields as educational and mass market publishing; and they cannot pursue the Canadian rights to foreign titles which might prove lucrative.

ASSESSMENT

The BPDP tried to address the problems of the Canadian-owned publishing industry but failed with one or two notable exceptions (e.g., the Canadian Telebook Agency).

The study team suggests that a major contributing factor to the failure of BPDP was its interaction with the Block Grants Component of the Writing and Publication Program of the Canada Council which redirected funds intended to create a viable industry to publishing the least commercially viable titles, on which Canadian-owned publishers concentrate their publishing efforts.

Furthermore, the study team feels that the practice of basing grants solely on sales without regard to profitability does not reward financial success.

If the government were to cease all BPDP support of the Canadian-owned book publishing industry immediately, the industry would undergo major upheavals. The study team recognizes the government's commitment to having a Canadian-owned industry as enunciated in the recent policy on foreign investment in the sector.

The study team concludes that federal support to the industry must be restructured to sever cultural from industrial assistance objectives, and a program of industrial support must focus on the problems of the industry. A redesigned BPDP must specifically address the lack of capitalization, the marketing and distribution problems of the industry, and development of management skills where it is evident that weaknesses exist.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The BPDP be replaced by a new program of industry assistance focussing on profitability as opposed to volume of sales.

2. The new program be totally independent of any "cultural objectives" other than the creation of a commercially-viable Canadian-owned publishing industry.

3. Operational subsidies provided under this program be based on the publisher's track records and/or business plans and the likelihood of achieving better than a break-even position within a specified period (say three to five years).

4. As the financial situation of each recipient improves, the operational subsidy be phased out and be replaced by a loan guarantee program if and when required.

5. Program eligibility criteria and monitoring mechanisms which focus on accountability and profitability be developed.

6. Projects which address specific industry problems, such as distribution, marketing and management, be continued. In particular, the Canadian Telebook Agency should be supported.

7. Support for projects which help publishers expand their markets be continued and that this support be coordinated with the programs which exist in External Affairs (Program for Export Market Development and trade fairs and missions).

8. Special consideration be given to the particular problems faced by the French-language publishers.

9. Programs which support culturally significant titles be provided by agencies with cultural mandates.

WRITING AND PUBLICATION PROGRAM
CANADA COUNCIL

OBJECTIVE

To foster and promote the study and enjoyment of, and the production of works in the arts.

AUTHORITY

Canada Council Act.

DESCRIPTION

The Council's programs of assistance to writers and publishers are based on a central commitment to culturally significant writing in Canada (poetry, drama, fiction, children's literature, and serious non-fiction). The Council supports writers engaged in specific projects, awards literary prizes, and administers several other programs to assist Canadian authors. It also offers various forms of assistance to Canadian-owned book publishing houses and periodicals, and supports collaborative efforts to promote and distribute Canadian books and periodicals and to increase public knowledge and appreciation of Canadian writing.

Direct support to writers is provided through the Awards Service which is described separately. The 20 components of the Writing and Publication Program are: Block Grants to Publishers, Project Grants to Publishers, Translation Grants, International Translation Grants, Travel Assistance for Translators, Aid to Periodicals, Aid to Periodicals for Promotion Campaigns, Aid to Promotion and Distribution of Canadian Books and Periodicals, Grants for Promotion Tours for Canadian Books and Periodicals, Periodicals Contributors' Remuneration Fund, Promotion of Prize-Winning Works, Book Purchase and Donation Program, National Book Festival, Public Readings by Canadian Writers in Canada, Public Readings by Canadian Writers in the United States, Short-Term Writers-in-Residence Program, Writers-in-Residence Program, Canada-Scotland Writers-in-Residence Exchange, Grants to National Associations of Writers and Publishers, Grants for Conferences and Research. These components are described in detail in Annex 1.

To be eligible for grants, publishers must have majority Canadian ownership, publishing as a primary activity, four eligible titles in print and be committed to a continuing and sustained publishing program, a demonstrated editorial capability, an identified audience and a distribution strategy to reach that audience. Publishers enter the program through a jury.

EXPENDITURES

	($ million)				
	81/82	**82/83**	**83/84**	**84/85**	**85/86**
Program Costs	8.2	9.3	9.8	9.5	9.4
Person-years	15	15	15	15	15

* Based on figures obtained from the Canada Council. The distribution of grants by type of support is as follows:

Distribution of grants by type of support	1984/85 ($000s)
Books	4,248
Promotion and Distribution	1,886
Periodicals	1,802
Public Readings	759
Writer-in-Residence	147
Associations	569
Conferences and Research	44
Prizes	70
TOTAL	9,525

BENEFICIARIES

Book and periodical publishers, writers, translators, professional and industry associations, and recipients of book donations (e.g., libraries, hospitals, community centres, etc.).

OBSERVATIONS

The Canada Council is mandated to foster and promote the enjoyment of and production of works in the arts. This program applies to Canadian literature. In the past 20 years, there has been a tremendous flowering of Canadian literature and a concurrent interest on the part of readers in Canada and, increasingly, abroad.

The programs of Block Grants and Project Grants to Canadian publishers began in the 1960s and were expanded in the early 1970s in response to the takeover by American publishers of two of Canada's oldest publishing companies. The Council claims that the cultural and regional diversity of Canadian publishing today is a result of the block funding program. The Council further believes that publishing in Canada, like theatre and dance, will always require subsidy.

When the DOC Book Publishing Development Program was introduced, the Canada Council adjusted its Block Grants to take into account the grant a publisher was receiving from DOC. The net effect of this adjustment was to cause the publishers to use the DOC grant to make up the deficit on culturally significant titles.

In addition, in the name of regionalism, the program has been spread very thinly across the country with many small publishers receiving small grants. These small publishers are often unable to effectively market and distribute their books beyond their region.

The promotional components of the program, in addition to promoting the reading of Canadian books, also provide additional income to writers either through increased royalties from increased sales or directly as honoraria for public readings.

Distribution is one of the areas of weakness of the Canadian-owned publishing industry. A component of the DOC program focusses on this area. There is no evidence that the grants from Canada Council duplicate any of the DOC grants but there is clearly an overlapping of effort.

Support for professional associations helps them to develop their professionalism and to share experience and knowledge. DOC also supports industry associations and, again there is some overlapping of effort.

The major source of federal government support for periodicals comes through the postal subsidy. The Canada Council supports literary periodicals which are generally not commercial propositions. These periodicals, which provide an important outlet for young and aspiring writers, would not be able to continue to do so without Canada Council support.

The Canada Council is scrupulous in its attempts to ensure that its funding does not duplicate that provided by any other federal or provincial agency. Thus, although similar programs may exist at the federal or provincial levels, it is unlikely that any individual is receiving funds for the same project from two bodies.

ASSESSMENT

The Canada Council has played an important role in the development of Canadian literature. There are many books which would never have been written or published without Council support. The study team has some concern about the circular nature of the Council's funding programs (i.e. the Council funds writers to write certain kinds of material and then funds the publishers to publish it).

The study team is more concerned, however, that certain practices of the Council have given its programs an industrial support dimension which is inconsistent with the Council's mandate. By limiting certain programs to Canadian-owned publishers and by reducing block grants in relation to the DOC grant, the Council has unintentionally encouraged Canadian-owned publishers to be active only in the area of publishing which is the least commercially viable. The study team suggests that all publishers in Canada, whether Canadian- or foreign-owned, should have the opportunity to benefit from programs designed to produce culturally significant titles.

The study team feels the Canada Council should limit its programs to providing cultural support and eliminate aspects of industry support.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. These components of the Writing and Publication Programs should continue without change: Aid to Periodicals, Aid to Periodicals for Promotion Campaigns, Periodicals Contributors' Remuneration Fund, Promotion of Prize-Winning Works, National Book Festival, Public Readings by Canadian Writers in Canada, Public Readings by Canadian Writers in the United States, Short-Term Writers-in-

Residence, Writers-in-Residence, Canada-Scotland Writers-in-Residence Exchange, Grants for Conferences and Research, International Translation Grants.

2. The following components be continued, but be available to all publishers without reference to ownership: Translation Grants, Travel Assistance for Translators, Aid to Promotion of Canadian Books and Periodicals, Grants for Promotion Tours for Canadian Books and Periodicals, Book Purchase and Donation Program.

3. The following components be phased out: Block Grants, Aid to Distribution of Canadian Books, Grants to National Associations of Writers and Publishers.

4. As the Block Grants are phased out, Project Grants be enhanced, focussing on literary publishing only and available to all publishers regardless of ownership.

ANNEX 1

WRITING AND PUBLICATION PROGRAM
CANADA COUNCIL

Block Grants to Publishers: These grants are available to Canadian-owned publishing houses which have on their backlist at least 16 titles considered eligible for Council support. The grants are designed to offset deficits on culturally significant books.

Project Grants to Publishers: These grants are available to Canadian-owned publishing houses which have on their backlist 4 to 15 titles considered eligible for Council support. The grants are designed to offset deficits on culturally significant books.

Translation Grants: These grants are intended to encourage greater exchange between Canada's English-language and French-language communities by providing assistance to Canadian publishers for the translation of fiction, poetry, drama, non-fiction and children's literature by Canadian authors. Professional Canadian theatre companies and organizations, which wish to present a Canadian play in translation, also may apply.

International Translation Grants: These grants are intended to encourage the translation of works of literature or serious non-fiction by Canadian authors into languages other than English or French for publication abroad.

Travel Assistance for Translators: These funds enable publishers or theatre companies receiving a translation grant to send the translator to confer with the author.

Aid to Periodicals: This program supports the publication of periodicals which serve as outlets for artists and writers of fiction, poetry, drama or literary criticism, or which provide reflective or critical commentary on the visual or performing arts in Canada. Children's periodicals, which sustain creativity and intellectual curiosity among children, also are assisted.

Aid to Periodicals for Promotion Campaigns: These grants help single periodicals or groups of periodicals to defray the costs of promotion campaigns for new subscriptions or for renewals.

Aid to Promotion and Distribution of Canadian Books and Periodicals: These grants provide support for collective projects to make Canadian books and periodicals better known and more widely available.

Grants for Promotion Tours for Canadian Books and Periodicals: These grants to publishers provide travel or living expenses for authors, illustrators and magazine editors while they are on tour in Canada promoting their most recent work.

Periodicals Contributors' Remuneration Fund: These grants help periodicals already receiving Council assistance to raise the level of fees paid to freelance contributors.

Promotion of Prize-Winning Works: Matching grants are made to publishers for the promotion of works which have won Canada Council literary prizes and works by Canadian winners of international literary prizes administered by the Council.

Book Purchase and Donation Program: Through this program, books are purchased annually from Canadian-owned publishing houses funded by the Council. The books then are donated to organizations in Canada through an annual competition. Books are purchased from English-language and French-language publishers and divided into kits which include children's books, young adult works, fiction, poetry, drama and non-fiction. To apply for the free book kits, organizations must show that they have insufficient funds to otherwise acquire the books and must be able to make the books available to the public. Organizations receiving the books include schools, libraries, hospitals, day-care centres and senior citizens' centres.

National Book Festival: The National Book Festival is a week-long annual celebration of Canadian books and magazines. Its purpose is to create a larger audience for and awareness of Canadian writing through such activities as book fairs, public readings, literary contests, and school and library activities. Individuals and groups such as schools, libraries and community organizations may apply for funds to organize festival projects. Events are coordinated throughout the country by a team of regional representatives, and promotional material is provided by the Council.

Public Readings by Canadian Writers in Canada: Through this program, writers of fiction, poetry, drama and children's literature are funded to give public readings in art galleries, community centres, libraries and post secondary institutions in Canada. The program increases knowledge and appreciation of Canadian writing and enables writers to meet a larger public.

Public Readings by Canadian Writers in the United States: Through this program, writers of fiction, poetry, drama and children's literature are funded to give public readings in art galleries, community centres, libraries and postsecondary institutions in the United States. The program enables Canadian writers to become better known in the United States.

Short-Term Writers-in-Residence Program: Through this program, writers of fiction, poetry, drama and children's literature are funded during four- to ten-day residencies at art galleries, community centres, libraries and postsecondary institutions in Canada. Guest writers are available for discussions with members of the community, interviews, public readings, lectures or manuscript readings.

Writers-in-Residence Program: On a cost-sharing basis, postsecondary institutions and other public organizations may invite senior Canadian authors of fiction, poetry, drama and children's literature for residencies lasting an academic year or an academic term. The writers work primarily at their own writing but are available for consultations with local authors and students and for workshops and seminars.

Canada-Scotland Writers-in-Residence Exchange: This program is jointly administered and financed by the Canada Council and the Scottish Arts Council. It enables a Canadian and a Scottish writer to take up residence in Scotland and in Canada in alternate years. The writers work primarily at their own writing but are available for participation in literary seminars and meetings and help to promote increased understanding of the literature of the two countries.

Grants to National Associations of Writers and Publishers: These grants support national associations that serve and promote the interests of the professional writing and publishing community in Canada.

Grants for Conferences and Research: These grants to groups of professional Canadian writers and publishers assist with the costs of hosting national conferences or undertaking research projects of a national scope.

EXPORT DEVELOPMENT PROGRAMS
DEPARTMENT OF EXTERNAL AFFAIRS

OBJECTIVE

To assist publishers to directly export books to foreign countries, find agents abroad to sell their products, explore marketing possibilities or locate foreign publishers to print Canadian books under licensing arrangements.

AUTHORITY

Government Organization Act, December 7, 1983.

DESCRIPTION

There are a number of export development programs which can assist the publishing industry.

Program for Export Market Development (PEMD)

PEMD is an incentive program designed to encourage Canadian businesses to enter the export market and to encourage firms engaged in exporting to expand into new markets by sharing with them the financial risks involved. External Affairs, DRIE in Ottawa and 25 DRIE offices across Canada screen requests for assistance from companies, including those from publishers, against standard applicant and project criteria. The amount of assistance provided is repayable by the recipient company, if the export efforts are successful. Essentially the program provides a form of export promotion and expansion insurance.

Because of the nature of the program (i.e. length of turnaround), precise and current figures for PEMD are difficult to obtain. Since its introduction in 1971 until April 1, 1981, PEMD claims responsibility for securing $4.5 billion in export sales for all industries as a result of assistance expenditures of $15.45 million.

In the publishing area from 1979/80 to 1984/85 (the only years in which separate figures on publishing are available), 800 projects amounting to $765 thousand were approved by PEMD but actual expenditures were only $171 thousand resulting in reported export sales of $136 thousand.

Promotional Projects Program, Department of External Affairs

This program plans and implements exhibits at trade fairs abroad and coordinates outgoing and incoming trade missions and incoming trade visits by foreign buyers and government delegations.

Unlike PEMD, which deals directly with individual requests for marketing, PPP supports initiatives from other units within government by providing tools with which the Trade Commissioner Service, the Industry Sector Branches and regional offices of DRIE (reflecting provincial inputs) fulfil their export development responsibilities.

The PPP is the responsibility of an ADM in External Affairs assisted by an interdepartmental committee. The central program administration within DEA is provided by the Trade Fairs and Missions Division and program operation is delegated to the five geographic branches.

Industry associations provide lists of exporters, or potential exporters to the PPP for possible inclusion in Canadian exhibits at trade fairs, trade missions or meetings with visiting foreign missions. Any publishers selected receive assistance for displays in trade fairs abroad which are targeted to the publishing industry.

Fairs in Frankfurt, Bologna and Paris have been the principle vehicles for Canadian publishers to show their products abroad. However, in the list of trade fair participation under PPP for 1985/86, only the Frankfurt Fair is included.

The Canadian government participated in 180 trade fairs through the PPP in 1984/85 at a cost of $11 million, involving 1,250 companies. There is no published breakdown of these figures by industry sector.

The PPP is essentially commercially oriented but, by fostering knowledge and sales of books abroad, it serves to enhance the image of Canadian culture in foreign countries.

Export Development Corporation (EDC)

The corporation provides insurance, financing and co-financing facilities for Canadian exporters. Its services are commercially oriented, but the publishing industry has made very little use of them to date.

BENEFICIARIES

Canadian publishing industry.

OBSERVATIONS/ ASSESSMENT

Both the PEMD and PPP programs are in place to assist and promote Canadian exports abroad. They are commercially oriented and not targeted to any one industry including the publishing sector. While their usefulness to publishers has not been great, those programs have a good record of assisting Canadian industries in other areas to expand exports. In view of this, the study team concludes that the publishing industry should be actively encouraged to take advantage of them, particularly in view of the government's emphasis on trade policy.

OPTIONS

The study team recommends to the Task Force that the government consider developing a strategy to increase the participation of the Canadian publishing industry in the export development programs of the Department of External Affairs within the Canadian publishing industry.

AID TO SCHOLARLY PUBLICATIONS PROGRAM

SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL OF CANADA

OBJECTIVE

To assist the publication of works of advanced scholarship which make an important contribution to the advancement of knowledge, but which are unlikely to be self-supporting.

AUTHORITY

Government Organization (Scientific Activities) Act, 1976.

DESCRIPTION

Aid to scholarly publications was provided, prior to 1967, to the Canadian Social Science Research Council and the Canadian Humanities Research Council by the Rockefeller, Carnegie and Mellon Foundations. Both Councils were founded in early 1940 primarily by academics. In the mid-1960s, the three American foundations indicated that funding would cease after 1969 because the program had become too "nationalistic".

Following the Massey-Lévesque Report, the government established the Canada Council in 1957, and its Humanities and Social Sciences Division commenced the Aid to Scholarly Publications Program (ASPP) which provided block funding to the two voluntary social science and humanities federations. In 1978, the Social Sciences and Humanities Research Council (SSHRC) was formed and continued to delegate responsibility for ASPP to the Canadian Federation for the Humanities and the Social Sciences Federation of Canada.

Scholarly manuscripts in the various humanities and sciences disciplines are submitted to ASPP by authors and/or publishers and, if eligible, are then subject to a peer evaluation process. Grants to publishers are based on a percentage of the estimated deficit to be incurred by the publisher in publishing the book.

EXPENDITURES

The two federations received $1.1 million as a block grant in 1983/84, of which the federations spent $327,000 for administration.

BENEFICIARIES

Scholars and researchers; academics and publishers.

OBSERVATIONS

The primary beneficiaries of the ASPP are scholars and researchers who are assisted in having the results of their research published. While it does not appear to be in its mandate, ASPP also has become the supporter of small, and usually otherwise not viable, regional publishers, by directing authors to them. Over the years the ASPP has also helped establish regional university publishing units. While grants are given to the university presses, the universities themselves, except through individual faculty members as readers, have no direct input into the selection of manuscripts.

The peer evaluation process is cumbersome and lengthy, often taking up to three years before approval for publication.

ASSESSMENT

Block funding to the two voluntary federations administering the program is self-serving, partially at least since the federations have a vested interest in maintaining the program.

The study team concludes that the administration of the program which is now at 'arm's length' from SSHRC, should be replaced: SSHRC could develop a mechanism to deliver the program more effectively and efficiently and reduce administrative costs.

While the evaluation procedures of the ASPP serve a useful purpose now, the program process could possibly be reduced significantly as the publishing arms of universities expand their evaluative capacities and increase their scholarly publishing. A peer evaluation process must, the study team believes, continue in the federal program in the interim.

Deficit financing of publishers, especially on the basis of an estimated deficit, is not conducive to effective or efficient management. In any revised system for ASPP, another way of paying grants, perhaps on a unit-cost or some form of matching grants, should be explored.

RECOMMENDATIONS

The study team recommends to the Task Force that the government consider the following:

1. The ASPP continue, but SSHRC deliver the ASPP which is more efficient and less costly and, in particular, to consider the feasibility of repatriating the administration ot the program from the Canadian Federation for the Humanities and the Social Sciences Federation of Canada, and to consider amalgamating it with their program of aid to learned journals.

2. Consider whether the deficit financing basis of the program should be revised and alternative means found to provide assistance which is conducive to effective and efficient management on the part of publishers.

AID TO LEARNED JOURNALS PROGRAM
SOCIAL SCIENCES AND HUMANITIES RESEARCH COUNCIL OF CANADA

OBJECTIVE

To aid and encourage the publication of journals intended to communicate the results of work in the social sciences and humanities.

AUTHORITY

Government Organization (Scientific Activities) Act, 1976.

DESCRIPTION

The program was taken over from Canada Council in 1978, when SSHRC was established. It is administered by the Council's Research Communications Division. In 1984, the program supported 116 journals, sponsored by learned societies, universities, groups of scholars and others (including individuals and private institutions). Of these, 80 journals described the official language of their journal as "English and French", 19 were English only, 16 were French only and one was Spanish.

Grants have been made for three years with one-third of the journals being reviewed (together with new applications) every year. The grants have taken the form of deficit funding. Grants are adjudicated by a committee of scholars selected by SSHRC.

BENEFICIARIES

Publishers of scholarly journals.

EXPENDITURES

The budget for 1984/85 was $2 million, and the same amount has been budgeted for 1985/86. Administrative costs have been held at 3 per cent of the budget and 21 person days per year, mainly for travel costs of adjudicating committees.

OBSERVATIONS

For 1985/86, a moratorium has been placed on new applications pending completion of a review of the program by SSHRC. While the review likely will recommend a form of matching grants and adjudication of all journal applications only once every three years, the study team is not in a position to develop conclusions in the absence of the report.

ASSESSMENT

The program appears to be operating successfully and efficiently and appears to be well received by its constituency. However, the study team believes that revisions to streamline the process and provide stronger incentives to publishers to better market their publications and manage their businesses are in order.

OPTIONS

The study team recommends to the Task Force that the government consider continuing the Aid to Learned Journals Program but focused on marketing and management incentives to publishers rather than deficit funding.

SCIENTIFIC PUBLICATIONS GRANTS
NATURAL SCIENCES & ENGINEERING RESEARCH COUNCIL

OBJECTIVE

To assist in the provision and maintenance of high quality Canadian publications for the dissemination of original research results in the natural sciences and engineering fields.

AUTHORITY

Natural Sciences and Engineering Research Council Act.

DESCRIPTION

The Natural Sciences and Engineering Research Council (NSERC) offers grants to assist in covering publishing costs of Canadian journals of quality which publish original research within the areas of natural sciences and engineering. Such grants must only be used to assist in the production of the periodical for which a grant was requested and not used in support of other activities of the publisher, sponsoring society or association.

To be eligible for NSERC assistance, journals must be published in Canada, with publication rights reserved by Canadian publishers; their long-term viability must be assured by the backing of an organized institution or society; and, in the case of proposed new journals, their need must be demonstrated, since two journals in the same field of research would probably not be required in Canada. Journals or textbooks concerned with teaching science are not eligible for NSERC support, nor, normally, is the publication of conference proceedings.

NSERC uses a peer review process to allocate grants in the best interest of scientific publishing in Canada. The review committee has limited resources at its disposal, and all requests for financial assistance are in direct competition for these funds. If funds are available after consideration of the journals described above, NSERC may assist with the publication of high-quality monographs, charts of particular relevance to Canada, or very occasionally, books which present original scientific material.

Grants are paid directly to the publisher. Two- and three-year grants were introduced in 1984/85.

EXPENDITURES

	($ million) 81/82	82/83	83/84	84/85	85/86
Grants*	0.5	1.2**	0.5	0.5	0.5
Person-years	.5	.5	.5	.5	.5

* Operating costs of this program are not accounted for separately from the overall operation of NSERC.

** The 1982/83 budget includes grants awarded following the February 1982 and 1983 competitions.

BENEFICIARIES

Publishers of scientific journals; the scientific community.

OBSERVATIONS/ ASSESSMENT

This is a small program with a specific objective which does not overlap or duplicate that of any other department or agency. None of the periodicals supported would qualify under other programs.

The Ministry of State for Science and Technology has a small program of support for journals which popularize science and the National Research Council has an extensive in-house program of research journals, none of which are supported by NSERC.

OPTIONS

The study team recommends to the Task Force that the program be maintained.

FEDERAL CO-PUBLISHING PROGRAM
SUPPLY AND SERVICES CANADA

OBJECTIVES

To produce and/or provide timely and economical printing, publishing, advertising and expositions services required by departments and agencies, taking into account the contribution of Supply and Services to the realization of national objectives and to increase the market for government publications through private sector publishers.

AUTHORITY

Government Organization Act, 1983.

DESCRIPTION

The Federal Co-Publishing Program (FCPP) was established in 1971 in response to U.S. takeovers of two major Canadian publishing firms. It is a three-party publishing enterprise involving government departments or agencies, Canadian publishers and the Canadian Government Publishing Centre (CGPC) of Supply and Services Canada. It is responsible for planning and implementing the co-publishing program and providing a specialized service to government departments and agencies for liaison with the publishing industry.

In consultation with the author department or agency, manuscripts with potential commercial value are assessed as candidates for co-publishing and those with the most potential are selected. Suitable publishers, selected from FCPP's bank of information on the specific competencies of Canadian publishers (where majority ownership is Canadian), are contacted and those interested are sent a formal request for a proposal, along with a copy of the manuscript and requirements for style and format. Consultation between FCPP and the publisher may take place in the case of complex or difficult requirements. The publisher is given six to eight weeks to submit a proposal. A committee from the author department or agency and CGPC selects the best proposal according to agreed criteria. Negotiations and signing of a contract is the responsiblity of CGPC.

BENEFICIARIES

Canadian Publishers; government departments and agencies; and the reading public.

EXPENDITURES

Direct subsidies from government departments and agencies are paid by CGPC to publishers to offset some of the preparation costs of less profitable publications and amounted to $1.3 million over the 1975 to 1985 period. Royalties received by the government from 1975 to March 1985 total $1.3 million and fully cover the program's administrative costs. Author departments or agencies are limited in their buy-back purchases at the 50 per cent discount to a maximum of 400 copies. Buy-backs for 1975 to 1985 amounted to $1.5 million.

OBSERVATIONS

From 1975 to 1984 the program awarded 120 contracts to 36 publishers (16 French and 20 English) resulting in the publication of 187 titles. During the 1984/85 fiscal year, a total of 30 contracts were issued under the Co-Publishing Program (23 English and seven French), resulting in 90 titles.

From its inception in 1971 until 1978, the program showed a deficit each year. In 1978/79, under new management, the program realized a $1 million profit. Since then it has continuously showed a profit.

Through the program, Canadian publishers are provided with an additional source of quality manuscripts and have their marketing possibilities enhanced by the sale of co-published titles through the government's mail order service and listing in a variety of catalogues and informational material. In addition, the program reduces or eliminates departmental and agency requirements to maintain and staff expensive publishing units. Also, by using the expertise of professional publishers, departments and agencies can obtain a first-class product with better promotion and distribution opportunities.

In their brief to the Applebaum-Hébert Commission, the Association of Canadian Publishers recommended that participation in the program be made mandatory for all government departments and agencies wishing to publish books. The Commission, itself, recommended the program be pursued with more vigour and suggested that the full capacity of private publishers to participate in it, especially in the French language, had not been exploited.

ASSESSMENT

This is a program with professional management providing benefits in both quality and cost to departments and agencies. Its administrative arm shows a profit. It provides the publishing industry with publishable manuscripts and promotes a larger and wider market for Canadian government books at home and abroad.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The Federal Co-Publishing Program be continued and expanded so that federal departments and agencies, which are not participating in the program be encouraged to do so.
2. Efforts to include more participants among French-language publishers should be increased.

ARTS PROMOTION PROGRAM (LITERATURE)
SOCIAL AFFAIRS AND PROGRAMS BRANCH
DEPARTMENT OF EXTERNAL AFFAIRS

OBJECTIVE

To establish a Canadian cultural presence in those countries where Canadian interests (including cultural interests) are important; to open and consolidate new markets for Canadian products.

AUTHORITY

External Affairs Act.

DESCRIPTION

Established in 1965, the Arts Promotion Program provides grants for projects in the fields of performing arts, visual arts and literature. The whole program is assessed under the Cultural Public Affairs and Information Bureau and Visual Arts Sector. In the area of literature, the program aims to promote a better knowledge of Canadian writing and to help the dissemination of Canadian books abroad. It funds: international tours by Canadian writers to participate in book fairs and salons, to attend conferences and meetings and to give readings; annual book donations to foreign universities and institutions; writers-in-residence in Italian universities; the Canada-Belgium and Canada-Australia literary prizes (in cooperation with the Canada Council); and international meetings in Canada.

Writers or recognized literary associations or agents submit their requests to the program which allocates funds on a geographic basis (i.e. all funds cannot be spent on sending writers to Europe - some must go to Japan, the U.S., Australia, etc.). The decisions on authors' tours is made by a sub-committee consisting of representatives from External Affairs, DOC, Canada Council and CBC/Radio-Canada. Other decisions are made by External Affairs. The implementation of most projects is carried out with the active assistance of Canadian posts abroad.

EXPENDITURES

	83/84	84/85	85/86	86/87	87/88
	($ million)				
Grants in Aid of Cultural Relations	2.4	3.6	2.4	2.3	2.3
Literature	0.4	0.5	0.4	n/a	n/a

Arts Promotion (Literature) is part of the Arts Promotion Program. Operating costs and person-years are not accounted for separately here.

BENEFICIARIES

Canadian writers, foreign academic institutions, foreign audiences.

OBSERVATIONS

In 1984/85, a total of 83 projects involving more than 100 different authors took place. In addition, books were bought for 16 foreign universities and institutions, and four projects brought foreign authors to Canada.

In 1983/84, almost 80 per cent of total art promotion expenditures were for activities that took place either in Western Europe or the United States. Of this percentage, 25 per cent was spent in France and 22 per cent in the U.S. Only 4 per cent of promotions funds went to Japan and 3 per cent to China.

External Affairs is involved in cultural affairs abroad as a means of achieving and pursuing foreign policy objectives. As such, its programming is subject to requrirements over and above concerns of artistic quality. Canadian staff officers abroad are not sufficiently sensitive to or informed about Canadian cultural products and industries to take advantage of potential markets. It became evident during consultations with Canadian publishers and writers, that they felt much more could be done by officers in the bureaus abroad to promote Canadian books.

The Canada Council already has a program of public readings in the United States.

ASSESSMENT

There is no doubt that an international promotion program is required since Canadian publishing and writing is still relatively unknown abroad and it is difficult to penetrate the highly-structured and competitive international market.

It is the study team's view that the functions of promotion and development of artists on the international scene would be better accomplished by a government organization which had the mandate to promote uniquely artistic quality. The study team concludes that the Touring Office of the Canada Council could well serve this purpose and has the staff, knowledge and expertise to carry out this function. The study team suggests that grants provided by External Affairs for performing arts companies to tour, as well as the grants for exhibitions, conferences, cultural activities, assistance to writers, etc., should be transferred to and administered by the Touring Office. External Affairs should cease providing financial assistance (grants) to any groups and any programming in the cultural centres to promote Canadian culturel abroad. However, the study team feels that there is an important role for External Affairs in the selection of organizations or artists to tour abroad. In fact, the study team concludes External Affairs should retain a veto right in this regard.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. With reference to the review of international cultural relations:

    a. The Secretary of State for External Affairs be requested to dismantle the Arts Promotion Division.

    b. The mandate of the Touring Office of the Canada Council be expanded to assume the grants programming and related cultural assistance activities of the Arts Promotion Division of the Department of External Affairs and program funds be transferred to the Canada Council from the Department of

External Affairs for the purpose of assisting Canadian artists and writers touring abroad.

c. While ceasing all granting activities, the Department of External Affairs retain a veto right in the selection of organizations, artists or exhibitions to tour abroad.

2. Upgrade the quantity and quality of contemporary Canadian literature available at Canada's posts abroad and provide sufficient information to External Affairs staff so that assistance to Canadian publishers wishing to sell abroad and foreign publishers wishing to acquire Canadian titles can be improved.

WRITING & PUBLICATION PROGRAM
MULTICULTURALISM BRANCH
SECRETARY OF STATE

OBJECTIVE

To support the development of educational materials that reflect the reality of Canada's diverse multicultural and racial makeup. The program concentrates on writing, publishing and disseminating printed materials.

AUTHORITY

Multiculturalism Policy of 1971, Secretary of State Act.

DESCRIPTION

The Writing and Publication Program funds voluntary organizations, education professionals, individuals and institutions to develop a broad range of materials, from educational works and teaching guides to poetry and folktales, anthologies, scholarly papers and personal memoirs. Translations are done from heritage languages to English or French to enable mainstream publishers to publish material that otherwise would not reach the general public. The program cooperates with other agencies and departments as well as educational institutions and established publishers. In the last year, the program has supported over 160 projects, 80 books or publications and conferences, readings, contests, displays and exhibits. The National Book Festival has always sought the cooperation of the multiculturalism sector.

EXPENDITURES

($ million)

	83/84	84/35	85/86	86/87	87/88
Grants	1.2	1.0	1.0	1.0	1.0

The Writing and Publication Program is part of the Multiculturalism Program. Operating costs and person-years are not accounted for separately.

BENEFICIARIES

Canadian ethnic writers, publishers, and readers.

OBSERVATIONS

This is Multiculturalism's most active program and represents some high-profile writers in the ethnocultural community. The service provides access to materials that would otherwise remain untranslated or unpublished and unknown outside a small circle. It allows all Canadians to share different cultures and experiences.

No other programs serve ethnic writers. The SSHRC does not fund learning materials nor does it emphasize non-academic popular writing as this program does. The Department of Communications funds publishing houses on an industry basis and not individual works. The Canada Council may fund those ethnic writers writing in English or French who meet their eligibility criteria and cultural standards. The Council and the Multiculturalism program consult regularly on their granting activities to ensure there is no duplication.

The support for the translation, development or production of individual works makes their publication possible. All publications (more than 80 last year) were published by independent small presses or publishing houses, who would not otherwise have had the means to do so.

ASSESSMENT

This program offers the lowest average grant of any Multiculturalism program. Federal funding is credited in every copy of every publication so that there is significant recognition of the federal support. Multicultural literature has grown in acceptance by the public, and a number of writers have used initial funding to build "mainstream" careers.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. Other federal agencies such as Canada Council or SSHRC ensure that their respective corporate strategies reflect increased responsiveness to the needs and aspirations of ethnocultural groups and

to the contribution ethnic writers make to Canada's cultural identity, and adjust their programs accordingly.

2. The Writing and Publication Program of the Multicultural Branch be phased out as the other programs are adjusted.

AWARDS SERVICE - WRITING
CANADA COUNCIL

OBJECTIVE

To make awards to persons in Canada for outstanding accomplishments in the arts.

AUTHORITY

Canada Council Act.

DESCRIPTION

The Awards Service is responsible for programs in support of individual artists. Grants are available to Canadian citizens and landed immigrants (resident in Canada for more than five years). They cover the disciplines of architecture, dance, music, performance, photography, theatre, video, visual arts and creative writing. There are five programs:

1. Arts Grants "A" awarded to senior artists to cover living expenses during the conduct of an approved program.
2. Arts Grants "B" awarded to developing artists to cover living expenses during the conduct of an approved whole program.
3. Short-term Grants awarded to artists to cover living expenses for a maximum of three months during the conduct of approved work projects.
4. Project Cost Grants awarded to artists to cover the costs of goods and services necessary for completion of a specific project, but not for living expenses.
5. Travel Grants awarded to artists to attend special events important to professional career development.

There is also a program of Grants For International Representation to cover travel expenses of Canadians serving as senior officers or board members of international non-governmental arts organizations.

Awards are made through a system of peer evaluation. Juries of outside experts, selected by the Canada Council, adjudicate the relative merits of individual artists requesting support. Recipients of grants are required to submit reports to the Council on their projects.

EXPENDITURES

	($ million) 82/83	83/84	84/85	85/86	86/87
All disciplines	7.0	7.5	8.0	8.3	N/A
Writing	1.2	1.1	N/A	N/A	N/A

The grants for writing are part of the larger Awards Service. Operating expenses and person-years are not accounted for separately here.

BENEFICIARIES

For the purposes of this assessment, Canadian writers.

OBSERVATIONS/ ASSESSMENT

In 1983/84, 141 writers received grants from the Council compared to 198 the previous year. In 1982/83, of the 436 individuals who applied for grants, 45 per cent received them.

The peer evaluation system, while it is probably the best that is available, has some drawbacks. It tends to become a closed network which is not easily accessible to new writers. Observations and assessments of the peer evaluation process and the administrative costs of the Council are included in the overall assessment of the Council.

The writers consulted by the study team felt that the level of support provided by the Council was inadequate. In particular, they want a program of payment for public use of their works. At least eight countries, including the U.K. and Australia have introduced such programs using computerized technology to overcome the administrative problems. The study team considers that a workable system for Canada is feasible.

The Council is scrupulous in its efforts to ensure that no duplication of grants occurs with other federal or provincial granting programs.

There appears to be little attempt made to monitor the effectiveness of the grants in actually producing works which are published, performed, exhibited, etc.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The Awards Service program for writers be enhanced and the Canada Council be requested to include publishers as well as writers as participants in its peer evaluation system.
2. That there be a program of payment for public-use and that a strategy be developed on negotiations with the provinces regarding the establishment of a payment to authors for public use of their works.

CONCESSIONARY POSTAL RATE SUBSIDY
COMMUNICATIONS AND CANADA POST

OBJECTIVE

To subsidize the periodical, newspaper and book publishing industries by the purchase of lower-than-market postal rates.

AUTHORITY

Appropriations Act.

DESCRIPTION

The Concessionary Postal Rate Subsidy (CPRS) provides preferential second-class postal rates for newspapers and periodicals in accordance with a six-level rate structure. To benefit from a specific level of the subsidy, publishers must meet the criteria for that level set out in the Canada Post Corporation (CPC) regulations and must conform to their packaging requirements. The CPRS also provides special rates for book publishers, distributors and retailers and for book shipments from libraries.

A comparison of commercial and subsidized rates is shown in Annex I.

EXPENDITURES

			($ million)		
	83/84	**84/85**	**85/86**	**86/87**	**87/88**
Cultural subsidy	53.0	55.7	55.1	--	--
Infrastructure subsidy	170	170	170	100	0

BENEFICIARIES

The apparent beneficiaries in September 1984 were 143 Canadian daily newspapers, 416 Canadian weekly newspapers, 644 paid circulation periodicals and 2,090 controlled circulation periodicals including foreign periodicals mailed in Canada. However, it has been argued that Canadian readers are the main beneficiairies because the subsidy is passed on to them through lower subscription rates.

HISTORY OF FINANCING

In 1979/80, an estimate of the costs in excess of revenue to carry publications mail was calculated and included as a "below the line" entry in the Main Estimates of the Post Office Department. Over the years the cost was calculated at $137 million (1979/80), $147 million (1980/81), $189.5 million (1981/82), and in 1982/83 it was $220 million. In 1981, the government directed that the payment of $220 million for 1982/83 be transferred to the Department of Communications (DOC) to be recorded in DOC estimates and then transferred to CPC. The transfer was recorded as revenue in the Corporation's Annual Report for 1982/83. Because of uncertainty about the estimating procedures, the government arbitrarily directed that the $220 million paid to CPC in 1982/83 be divided into two components:

1. A concessionary rate (cultural) subsidy of $50 million (in 1982/83 constant dollars) to the Department of Communications to purchase concessionary rates for selected mailing categories according to DOC's policy determination.

2. An infrastructure payment of $170 million (in current dollars) to CPC via the estimates of Revenue Canada as compensation for the cost of handling significant volumes of subsidized publications mail. This payment will continue at its current level for an additional year, decline to $100 million in 1986/87, and end, thereafter.

OBSERVATIONS

The rise of courier services and the introduction of new technologies (e.g., satellite transmission of newspapers) are beginning to have a major impact on the distribution of periodicals and newspapers.

CPC is continuing to work towards reducing the cost of its overall operations so that the costs associated with the carrying of publications mail will be as competitive as possible. This reduction will be achieved through a variety of measures such as productivity and network improvements, and a thorough operational analysis and costing of its product lines. CPC expects to have an accurate costing completed by mid-September which they say will establish that their original $220 million was accurate. Until this is completed rational discussion on how much it costs to provide various services cannot take place.

The Department of Communications is also undertaking a study of the publications industry in Canada to develop recommendations for the nature and level of future government support to this sector. The study should identify those elements of the publishing sector which should receive assistance for public policy reasons. This is in keeping with that department's support of a full range of other "cultural activities".

When CPC was established one of the principle goals was the achievement of financial self-sufficiency. The abrupt withdrawal of subsidies for published material would have forced the new corporation to immediately raise rates for publications mail to recover its full cost. This response would not only have created adjustment problems for publishers, but would still have left the post office with large costs for infrastructure for a much lower volume of mail. The gradual phase-in is designed to give publishers time to adjust and to allow the market to absorb the higher postal rates without significantly reducing the volume of mail.

The study team wishes to emphasize that 80 per cent of postal subsidies to periodicals go to the distribution of foreign periodicals. If the subsidy is withdrawn from Canadian periodicals, it can also be withdrawn from foreign publications without contravening the Berne Convention. Most of the foreign publishers are American and they are now used to the loss of postal subsidies as the United States Postal Service is at stage 14 of a 16-stage phase-out of postal subsidies over a 10-year period.

ASSESSMENT

It is the view of the study team that an immediate cessation of the postal subsidy for daily newspapers would have little impact on that industry. Most daily newspapers are not distributed through the postal system in any event. Most mailed copies go to readers or organizations that are not sensitive to price.

The impact on weekly newspapers of a quick cessation would be more severe. Most of them, however, would probably adjust to a phase-out of subsidies. Furthermore, since the subsidy applies only to deliveries within a 60-mile radius, most local papers could be distributed easily through local stores and newstands.

It is the understanding of the study team that major national and regional periodicals could adjust to the loss of subsidies if phased out over three to five years. Those with lower circulations tend to be directed at groups of readers with specific interests. Most of these readers would absorb the added cost, again if phased in over time.

Periodicals with low circulation seem to be the area of publishing which would be most affected by a discontinuance of subsidization. Here again, however, the U.S. experience suggests that a relatively long phase-out period could alleviate most problems if details are worked out in consultation with the industry.

This program was assessed by the Study Team on Services and Subsidies to Business which concluded that Canada Post needs to establish its costs to provide various services. It proposed that DOC review the publications now eligible for preferential rates to determine if they should continue to be so in light of current cultural objectives and that steps be taken as soon as possible to begin phase out of the subsidy.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The proposals of the Study Team on Services and Subsidies to Business on concessionary postal rates be implemented in the following manner:
    a. The rate concessions to major daily newspapers be eliminated within a year.
    b. Consultations with smaller daily newspapers, weekly newspapers and periodical publishers commence as soon as possible to achieve agreement on an acceptable phase-out schedule.
2. Once these consultations have been completed, determine the phase-out schedule and the exact level of interim subsidy Canada Post might require over that period and report on a proposed timetable in the context of the government's determination of a comprehensive strategy for the publishing industry.

PUBLICATIONS MAIL: CATEGORIES AND EXAMPLES BENEFITING FROM SUBSIDIZED CONCESSIONARY POSTAL RATES

Government payments to Canada Post Corporation (combined DOC $56 million Concessionary Rate Subsidy and $170 million infrastructure payment for 1984/85) support the application of postal rates well below the cost of handling for all categories of second-class mail (Newspapers and Periodicals) as well as Publishers books, and Library books. Information relating to each category, based on 1984 information, follows:

Second-Class Rate Code 1: Daily Newspapers

- 143 qualified publications ranging from major metropolitan daily newspapers publishing 6 times per week to small-town newspapers mailing 2 or more times per week.
- Current least-cost commercial rate alternative: third-class small parcel rate $0.48/100g to $1.75/500g or third-class quantity rate (minimum mailing of 5000 items within province) $0.055/item plus $1.66 per kg.

1983/84 total volume: 40.3 million pieces.
1983/84 total postage revenue: $4.4 million.
1983/84 average postage per item: $0.11.

Second-Class Rate Code 2: Weekly Newspapers

- 416 weekly newspapers (i.e., virtually all small town newspapers in Canada).
- Current rate structure: 2,500 copies delivered free in 65 km radius of towns with less than 10,000 population and no letter carrier service; other copies at $0.21/kg and minimum $0.042/item (up to 200 g).
- Current least-cost commercial alternative: third-class small parcel rate or third-class quantity rate (4000/province minimum).

1983/84 total volume (free): 26 million.
1983/84 total volume (paid): 22 million.
1983/84 total postage revenue: $1.3 million.
1983/84 average postage per item: $0.027.

Second-Class Rate Code 3: Canadian Periodicals (subscription based)

- 800 periodicals including all common newsstand magazines ranging from very large-volume frequent periodicals (Maclean's, Chatelaine, Readers Digest) to small volume special interest publications (Atlantic Monthly, Canadian Defence Quarterly).
- Current least cost commercial alternatives: third-class small parcel rate or third-class quantity rate.

1983/84 total volume: 268 million.
1983/84 total postage revenue: $14.8 million.
1983/84 average postage per item: $0.055.

Second-Class Rate Code 4: Canadian Periodicals (non-subscriber based)

- 1,900 periodicals consisting largely of special interest, association and trade publications of modest volume.
- Current rate structure: $0.027/copy plus $0.74/kg or $0.064 minimum for 50g.
- Current least-cost commercial alternatives: third-class small parcel rate or third-class quantity rate.

1983/84 total volume: 91 million.
1983/84 total postage revenue: $10.3 million.
1983/84 average postage per item: $0.113.

Second-Class Rate Code 5: Foreign Periodicals Mailed in Canada

- 365 foreign periodicals which are published out of the country but mailed in Canada; includes all common newsstand magazines and small volume special-interest publications.
- Current rate structure: $0.112/1st 50g plus $0.07 each additional 50g.
- Current least-cost commercial alternatives: third-class small parcel rate, or third-class quantity rate or fourth-class zoned parcel rates

1983/84 total volume: 51 million.
1983/84 total postage revenue: $19 million.
1983/84 average postage per item: $0.37

Second-Class Rate Code 6: Foreign Periodicals Printed and Mailed in Canada

- 35 foreign publications including Time Magazine, Newsweek, Awake as well as other low volume special-interest periodicals.
- Current rate structure: $0.265/kg or $0.053 minimum for 200g
- Current least-cost commercial alternatives: third-class small parcel rate, or third-class quantity rate or fourth-class parcel rates

1983/84 total volume: 34 million
1983/84 total postage revenue: $1.5 million
1983/84 average postage per item: $0.044

CITIZENSHIP AND GENERAL CULTURE

OVERVIEW

INTRODUCTION

The terms of reference requested the study team to examine programs designed to assist individual Canadians, groups and organizations to participate fully in Canadian society and to enjoy the benefits of Canadian citizenship. This field consists of a heterogeneous collection of programs from the Department of the Secretary of State and includes two granting programs in the Citizenship Directorate, five in the Multiculturalism Branch plus the Multiculturalism Advisory Council and Multiculturalism Administration. The study team's assessment does not include the regional operations of the department, which are the major delivery vehicle for all Secretary of State granting programs.

Based on the Main Estimates, when they exist, and estimates provided by program managers, the total estimated budget of these programs in 1985/86 is $41.5 million and 122 person-years. This figure does not include all administrative costs because three of the programs are part of larger administrative units without distinct administrative resources.

The main issues common to the programs appear to be the following:

VOLUNTEERISM

The concept of volunteerism is that individuals donate their time and/or money to causes or activities which they consider important or worthwhile. The concept of government support for voluntary action would seem to be a contradiction in terms. The study team concluded, however, that support for voluntary action is now deeply embedded in government. Fourteen government departments and agencies have some 55 programs which provide support to voluntary organizations. The purpose of the grants varies and relates to the mandate of the granting department (e.g., Parks Canada funds environmental groups). The programs reviewed here are based on the premise that there are groups within Canadian society which need government assistance to succeed in their efforts to participate in the democratic process within their communities. As commendable as the motivation for these programs may be, the study team is concerned that the programs operate in such a way as to encourage groups to believe they have a right to funding or to become dependent, in the long term, on such funding.

FUNDING PROBLEMS

Government support to voluntary organizations creates problems: the dependency of organizations on core funding creates the potential for alienation from their constituency; the organizations' activities can be skewed to meet government criteria; groups may be formed because of the very existence of funding and not necessarily because there is a need; and funding often goes to the more articulate and well organized groups and not necessarily to those who need it most. The study team believes that the programs which fund voluntary organizations must adjust their operations to diminish these problems.

PROVINCIAL INVOLVEMENT

As described in a report prepared by the Canadian Council on Social Development, the provinces all provide support to voluntary organizations, mostly for the provision of non-statutory services in such areas as social services, health, justice administration and community development. The level of involvement and funding varies considerably from province to province. In particular, provinces and municipalities increasingly recognize the importance of their ethnic communities. Consequently, the study team concludes that federal programs should increasingly recognize that other levels of government are and will remain actively involved in funding activities of voluntary organizations.

INTEREST GROUPS INVOLVEMENT

None of the programs reviewed here operate at 'arm's length'. In all cases a minister has final approval of all grants. This makes the program vulnerable to special-interest group pressures.

The issues which relate specifically to the programs reviewed in this sector are:

VOLUNTARY ACTION PROGRAM

The study team concluded that the generality of this program's objectives and the vagueness of its criteria along with its small budget ($0.8 million and seven person-years in 1985/86) make it difficult to assess to what degree the program has made a substantial contribution to the fuller involvement in Canadian society of very many people. However, it has spawned other programs in response to special circumstances and, as such, has had a general influence. Nevertheless, the study team concluded that it should be discontinued since its catch-all nature is not the most effective means of responding to special circumstances.

WOMEN'S PROGRAM

The study team concluded that the Women's Program has undoubtedly played a role in improving the status of women since its inception by giving women the money to organize and lobby. (For 1985/86, the program has $14.5 million and 37 person-years.)

The study team, however, is concerned that the Women's Program, as it has evolved, may be addressing the needs of upwardly-mobile, middle class professional women which do not necessarily coincide with the concerns of the majority of women in Canada. It believes that the substantial increase in 1984/85 in the budget of the Women's Program may not be warranted. The study team feels that the program needs to reassess its activities in the context of the current environment and in the light of the Charter of Rights and Freedoms and the end of the U.N. Decade for Women.

MULTICULTURALISM

Multiculturalism Policy and the various programs which flow from it are now established and, to a degree, have become entrenched. There is an expectation on the part of all ethnic communities that the multiculturalism programs ($24.1 million, 43 person-years in headquarters and about 35 in the regions in 1985/86) will continue to act as key instruments of cultural and social policy.

While it may appear that the multiculturalism programs duplicate what is available from other sources, the programs of existing mainstream institutions and agencies, for the most part, have not become sufficiently sensitive and responsive to the changing composition of Canadian society. At this time, such institutions are not capable of providing the specialized services and access to mainstream programs and activities necessary to gain full participation in Canadian society, for all citizens. Multiculturalism programs fill this gap and will be necessary until existing institutions themselves assure such access to all Canadians.

However, the negative consequence of this situation is that other departments and agencies have no incentive to expand their programs in these areas as long as the multiculturalism programs fill in the vacuum. Rather than being integrated into programs serving all Canadians, multicultural groups served only by multicultural programs tend to remain isolated. The study team concluded that the Multiculturalism Branch programs and activities should be targetted to facilitating integration, helping overcome barriers to full participation and increasing recognition of the contribution of ethnic groups. The cultural retention programs in the Multiculturalism Branch should be phased out and gradually replaced by alternate sources of funding, including funding from other federal agencies.

NATIVE SOCIAL AND CULTURAL DEVELOPMENT

This $2.1 million program was reviewed extensively by the Study Team on Native Programs in the context of all the programs relating to native people. The study team has examined the assessment made by the other team and agrees with its substance.

SUMMARY OF 1985/86 EXPENDITURES

	($ million)	PYs
Voluntary Action Program	0.8	7
Women's Program	14.5	37
Multiculturalism Programs	24.1	78
Native Social and Cultural Dev.	2.1	n/a
TOTAL	41.5	122

VOLUNTARY ACTION PROGRAM
CITIZENSHIP DEVELOPMENT BRANCH
SECRETARY OF STATE

OBJECTIVE

Within the overall objective of the Citizenship Branch, (to assist those Canadians most in need in achieving more equitable and equal opportunities for social growth, quality of life and fuller involvement in Canadian society) to encourage active citizenship by supporting the participation of Canadians in community affairs through national and local voluntary organizations.

AUTHORITY

Department of the Secretary of State Act.

DESCRIPTION

The Voluntary Action Program (VAP) supports non-profit voluntary organizations in Canada through seed funding for organizational development, core funding for maintenance of basic on-going operations, project funding and technical advice and assistance.

The program is based on the premise that there are groups within Canadian society who need government assistance to participate in the democratic process within their communities.

The program is delivered by the regional and national offices.

BENEFICIARIES

Voluntary organizations.

EXPENDITURES

	($ million)				
	1983/84	1984/85	1985/86	1986/87	1987/88
Support for Operational Costs	0.7	0.8	0.5	0.8	0.8
Project assistance	0.3	0.3	0.3	n/a	n/a
TOTAL	1.0*	1.1*	.8	.8	.8
Person-years at HQ		7	7	7	

*In 1983/84 and 1984/85, the VAP funded activities jointly with other national programs such as the Women's Program (i.e., other programs transferred funds from their budgets to VAP in order to fund projects which did not fall within their mandate). The distribution of funds by region follows:

Regional Distribution of Grants (1983/84)

	No. of groups/ projects	**Average size of grant**
National	14	$66,000
Atlantic	20	5,000
Quebec	12	4,000
Ontario	20	3,000
West	38	3,000

OBSERVATIONS

In 1962, the Treasury Board approved a grants program which was aimed at organizations engaged in any of the fields of immigration, Indian integration, inter-group understanding or citizenship promotions. While the objectives have changed in some respects, this core program has expanded, and at various stages has spawned new programs (for example, human rights and women's program). The scope and budgets of the new programs have often exceeded that of the parent program. This has not been an intended effect of the original program but has resulted in some valuable contribution to the improvement of Canadian society.

The VAP recognizes that the existence of grants programs encourages groups to organize (i.e., they create their clientele). However, it is felt that the needs of the "disadvantaged" are best met by organized groups and, therefore, it is necessary to encourage them to do so. The individual has little impact on the decision-making process, while the group has more.

Core funding tends to make an organization dependent on that funding, independent of and not necessarily responsive to their constituency.

The concept of volunteerism or voluntary action is that individuals donate their time and/or money to causes or activities which they consider important or worthwhile. The concept of government support for voluntary action would seem to be a contradiction in terms, although it is now deeply embedded in government. Fourteen government departments and agencies have a total of 55 programs which provide support to voluntary organizations. The purpose of the grants varies and relates to the mandate of the granting department (e.g., Parks Canada funds environmental groups).

The provinces all provide support to voluntary organizations mostly for the provision of non-statutory services in the areas of social services, health, justice administration and community development. The level of involvement and the amount of money varies considerably from province to province as described in the report "Voluntary Action: Provincial Policies and Practice" prepared by the Canadian Council on Social Development.

The VAP has no precise mandate statement and vague criteria for funding. Consequently it is used as a catch-all for projects not eligible for funding under other programs.

ASSESSMENT

Given the generality of its objectives, its vague program criteria and small budget, it is difficult to assess to what degree the VAP has made a substantial contribution to the fuller involvement in Canadian society of very many people. However, it has spawned other activities in response to special circumstances and, as such, has had a general influence.

The study team believes that, if retained, the VAP requires a specific mandate with concrete criteria. The practice of using it as a catch-all program with open-ended criteria should be stopped, in the study team's view. An alternative could be cancelling the program and responding to special initiatives required by external stimuli through existing programs or, if necessary, by establishing a special program with a sunset clause.

OPTIONS

The study team recommends to the Task Force that the government consider discontinuing the program and that the clients seek any support required from other sources such as their constituents, the private sector, other federal programs, or provincial or municipal governments.

WOMEN'S PROGRAM
SECRETARY OF STATE

OBJECTIVE

To support the full participation of women in all aspects of Canadian society and to increase the capability and effectiveness of women's organizations and groups working to improve the status of women and, in addition, to promote increased understanding of and action on, women's issues among women and the general public in the form of advocacy and information exchange.

AUTHORITY

Department of the Secretary of State Act.

DESCRIPTION

The Women's Program provides funds and other resources to women's organizations whose activities are aimed at promoting community awareness and understanding and at promoting attitudinal and institutional change relating to the status of women. Such activities include conferences, workshops, leadership skill development, research, feminist press support, publication of a widow's handbook, support to transition houses, etc.

The minister responsible for the Status of Women, the Secretary of State, must monitor and report to Cabinet on the allocation of funds to women's groups. A more recent and new component, the Women's Studies Chairs Endowment Program, allocated $500 thousand over five years for each of five higher education institutions across the country.

The Office of the Coordinator, Status of Women, and the Advisory Council on the Status of Women also report to the Secretary of State. The Office of the Coordinator provides advice and recommendations to the minister on all matters concerning the effective discharge of his mandate and information and liaison services in respect of government projects and policies concerning the Status of Women. The Advisory Council recommends to the government legislation and programs pertaining to the Status of Women in Canada, informs the public on areas of concern to women and publishes an annual report on the progress being made on the status of women. These two agencies, as well as the Women's Program, will be reviewed by the Study Team on Citizenship, Labour and Immigration.

Two-thirds of the program's resources are allocated through the Department of the Secretary of State's Regional Offices.

EXPENDITURES

	($ million) 1983/84	1984/85	1985/86	1986/86	1987/88
Operating	.6	1.7	1.7	1.7	1.7
Grants & Contributions	4.2	9.3	12.8	12.7	12.7
TOTAL	4.8	11.0	14.5	14.4	14.4
Person-years*	19	37	37	37	37

Appendix I contains a summary of grants by target group and by region.

* includes an estimate of regional person-years.

BENEFICIARIES

Voluntary women's organizations, universities, women.

OBSERVATIONS

The women's program was established in 1973 with an initial budget of $223 thousand and four person-years. In 1974, the budget was expanded to carry out special International Women's Year activities. By 1976/77, the program's resources had reached $955 thousand and thirteen person-years. In December, 1983, a substantial addition of funding and person-years was approved and a new component, the Women Studies Chairs Endowment, was added.

In 1984/85, 35 per cent of program funds representing [illegible] per cent of initiatives went to operational maintenance (i.e., core funding), which represents anywhere from 21 per cent to 78 per cent of the total budget of the organizations receiving it.

As can be seen from a review of the target groups in Annex I, the majority of funds go to projects which claim they support all women. The women's program did provide funds for target groups which may also be covered by other programs (e.g., native, immigrant, official language minority and handicapped women). The women's program claims that their projects are different and not duplicative because they address the concerns of these women as women rather than as members of specific groups.

The government established the Women's Studies Chairs program without requests from women's groups or the Women's Program. To date, four chairs of women's studies have been established [Mount St. Vincent University, Simon Fraser University, University of Manitoba and University of Winnipeg (jointly) and the University of Ottawa and Carleton (jointly)]. Quebec has yet to designate a university for this purpose.

The women's movement has no obvious other sources of support and the Secretary of State program claims to be unique in the world. In fact, Australia has been looking at it as a model for establishing a similar program. However, not all women's groups are in favour of government funding because they believe it can lead the women's movement into pursuing the Government's goals and erode its independence.

The women's program, as a program of support to voluntary organizations, is vulnerable to all the problems that affect all such programs: dependency on core funding with a potential for alienation from their constituency; skewing of the organization's activities to meet government criteria; encouraging groups to form by the very existence of funding and not necessarily because there is a need; and the funding of the more articulate and well-organized groups and not necessarily those needing it most.

ASSESSMENT

The women's program has undoubtedly played a role in improving the status of women in Canada since its inception by giving women the money to organize and lobby.

The study team, however, is particularly concerned that the women's program as it has evolved may be addressing the needs of upwardly-mobile, middle class professional women which do not necessarily coincide with the concerns and problems of the majority of women in Canada. It believes that the substantial increase in 1984/85 in the budget of the women's program may not be warranted. The study team feels that the program needs to reassess its activities in the context of the current environment and in light of the Charter of Rights and Freedoms and the end of the U.N. Decade for Women.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. The level of funding to the Women's Program be reduced to its 1983-84 level and be limited to national and provincial organizations which reflect the concerns and needs of all women and whose activities are aimed at having responsible institutions improve their services rather than at providing those services themselves.

2. Federal operational funding to national and provincial women's organizations generally be conditional upon an organization increasing, over time, its own monetary contribution to its ongoing operation.

4. Project funding for national and provincial women's organizations focus on projects which increase the organization's ability to survive without government support and which will not entail requirements for ongoing operational support.

5. The criteria for other Secretary of State funding programs which target specific groups (e.g., natives or immigrants) should be interpreted in such a way as to provide funding for the women within these programs.

ANNEX I

Funding by Target Group

Target Group	No. of Projects	Amount of Money ($ millions)
Young Women	31	$ 0.21
Older Women	4	0.01
Rural/Isolated Women	78	0.72
Immigrant Women	15	0.09
Native Women	6	0.05
Off'l Language Minority	19	0.14
Low Income Women	16	0.13
Handicapped Women	4	0.03
Single Women	3	0.05
All Women	425	6.08
General Public	85	0.70
TOTAL	686	$ 8.21

Funding by Region

Region	No. of Projects	Amount of Money ($ millions)
Nfld.	39	$ 0.34
N.S.	21	0.32
PEI	17	0.14
N.B.	34	0.28
Que.	182	1.33
Ont.	86	0.91
Man.	47	0.44
Sask.	51	0.44
Alta.	82	0.58
B.C.	78	1.07
National	48	2.36
TOTAL	686	$ 8.21

Note: The figures are provided by the Women's Program and do not add up to the total grants and contributions in the expenditures because of problems in retrieving all records from their financial system.

MULTICULTURALISM BRANCH
DEPARTMENT OF THE SECRETARY OF STATE

OBJECTIVE

To ensure the full participation of all cultural and racial communities in shaping the nation's social, cultural, political and economic environment.

AUTHORITY

Department of the Secretary of State Act
Multiculturalism Policy (1971)

DESCRIPTION

The Multiculturalism Branch is the government's operational focus for implementing the 1971 Multiculturalism Policy. It provides policy coordination and public education activities through its internal operating and human resources and support to the ethnic community through grants and contributions. It also provides secretariat support for the Canadian Multiculturalism Council.

The seven granting programs are: Group Development, Intercultural Communication, Cultural Integration, Cultural Enrichment, Canadian Ethnic Studies, Writing and Publications and Performing and Visual Arts. The last two are assessed separately as part of the Publishing Sector and Performing and Visual Arts Sector respectively. However, all comments made apply equally to them.

The Federal Policy Coordination component provides support and advice, including research and analysis, to the Minister of State - Multiculturalism, central agencies and federal departments on the implications and applications of Multiculturalism as a federal policy. In recent years, race relations has been a priority issue, and a race relations unit was established in 1981. The component also monitors the application of Treasury Board guidelines on the depiction of visible and ethnic minorities in government communications.

The Public Education component carries out advertising and public relations activities designed to increase public awareness of and appreciation for Canada's racial and ethnic diversity. Major activities include advertising in the ethnic press and on television, publications, exhibits, school material and film.

The Group Development Program provides annual operational funding to national ethnocultural organizations and grants for national projects and occasionally, regional projects. The grants are designed to strengthen the organizations of the ethnocultural communities and their ability to respond to the needs and represent the interests of their constituencies.

The Intercultural Communications Program funds the establishment and maintenance of multicultural associations and centres. The major activities funded include cross-cultural sensitization and training, race relations projects, multicultural heritage events, and advocacy on behalf of cultural and racial minorities vis-à-vis the mainstream institutions. Pilot projects with mainstream organizations are also funded to increase participation by under-represented cultural/racial groups, in particular visible minorities.

The Cultural Integration Program provides support to voluntary organizations providing settlement and integration services to the immigrant refugee community. Activities funded include life-skills courses in the areas of health services, money matters, and shopping, identification of education and training possibilities and adult basic education.

The Cultural Enrichment Program assists ethnocultural communities to retain heritage languages within the Canadian context. The program provides funds for language instruction, development and production of teacher aids and for professional development and research on heritage language education.

The Ethnic Studies Program endows, on a matching funds basis, one Chair a year in Ethnic Studies at Canadian universities to encourage teaching and research in such areas as immigration history, heritage languages, adaptation and intercultural relations. It also supports three junior and three senior scholars a year to carry on special research projects attached to Canadian institutions; visiting lecturers to allow for exchange and work on interdisciplinary or comparative projects; and ethnic research to encourage specialized studies of cultural pluralism of an interdisciplinary or comparative nature. These projects must have a demonstrated relevance to multiculturalism objectives and cannot be eligible for funding elsewhere. A portion of the budget is devoted to technical assistance to national, regional or local organizations which have as a major activity the promotion of multiculturalism in education.

The Canadian Multiculturalism Council, formerly the Canadian Consultative Council on Multiculturalism provides a source of advice to the federal government through the Minister of State for Multiculturalism on all matters pertaining to multiculturalism. Initially set up in 1973 as a body of 100 persons reflecting the various cultures and regions of Canadian society, the council's mandate and membership were revised 10 years later so that it would specifically report to the Minister of State for Multiculturalism, and through the minister, to Parliament, concerning its activities; undertake and recommend research on matters relevant to multiculturalism; monitor the media and mainstream institutions for attitudes and prejudice adversely affecting Canadians; recommend legislation, policies and practices to improve the status of multiculturalism; and consult with ethnocultural groups and organizations including provincial councils, advisory or otherwise.

Organizations receiving operational assistance such as core funding cannot receive project funding except in special circumstances.

All grant applications are reviewed at headquarters for consistency with ministerial priorities, criteria and previously approved workplans, before being forwarded to the Minister of State for Multiculturalism for final approval.

The branch has designated visible minorities and immigrant and refugee women as priority target groups for all granting programs, when appropriate to program criteria.

The national and regional offices of the department deliver the program.

BENEFICIARIES

Voluntary ethnic organizations; multicultural organizations; multicultural centres; voluntary organizations delivering immigrant services; ethnic language schools and teachers; Canadian universities and scholars.

EXPENDITURES

	($ million)				
	1983/84	1984/85	1985/86	1986/87	1987/88
Operating & Capital	6.4	8.0	7.3	N/A	N/A
Grants & Contributions					
Group Development	2.6	2.6	2.8		
Intercultural Comm.	2.7	2.8	2.9		
Cultural Integration	2.6	2.4	2.6		
Cultural Enrichment	3.3	4.3	4.2		
Canadian Ethnic Studies	1.2	1.7	1.6		
Writing & Publication	1.0	1.4	.9		
Performing & Visual Arts	1.4	2.2	1.8		
TOTAL	21.2	25.4	24.1	23.8	23.8
Person-years	46	80*	78*		

* includes an estimate of person-years expended in the regions on the Multiculturalism Branch Programs.

Appendix I contains the regional distribution of grants and contributions for 1984/85.

OBSERVATIONS

Stimulated by the work of the Royal Commission on Bilingualism and Biculturalism, the Multiculturalism Policy was introduced in 1971 in response to public demand to safeguard the contribution made to the cultural enrichment of Canada by minority ethnic groups.

Initial multiculturalism programs reflected the primary interests and concerns of the older established ethnic groups and thus had a distinct cultural retention focus. For many of these groups, a homeland no longer existed; Canada represented the last frontier for preserving their cultural traditions. An early link was made between language and culture and so, while the federal official languages policy was respected and supported, the recognition of languages other than English and French became a "cause célèbre". As a result, the federal government was convinced by the ethnocultural communities to establish a program in support of heritage or ancestral languages.

After the mid-1970s Canada received increasing numbers of immigrants from what were termed non-traditional sources, primarily from the Third World. These new Canadians form a growing and extremely articulate component of Canadian society and are largely concentrated in urban areas. Their interests and concerns tend to centre more around social issues such as integration into society, mobility and career advancement than questions of cultural retention per se.

During the mid- to late-1970s, occasional incidents of racial conflict in a few major Canadian cities served to focus public attention on the concerns of these newer Canadians. The Multiculturalism Branch responded, in part, by expanding its programs to more explicitly address this issue.

In December 1983, the House of Commons Special Committee on Participation of Visible Minorities in Canadian Society was established. That Committee's report, Equality Now!, was tabled in the House in March 1984. The Multiculturalism Branch was charged with taking specific action on 32 of the recommendations and monitoring the follow-up activities in all areas.

It is clear there is now growing recognition of the multicultural and multiracial composition of Canadian society. The Canadian Charter of Rights and Freedoms gives new strength to this reality as all three levels of government and institutions adjust to conform with its requirements. In addition, the government has recently announced the establishment of a Parliamentary Standing Committee on Multiculturalism.

From a socio-demographic standpoint, Canadians who identify their origins as 'other than British or French' now make up approximately 30 per cent of the national population and the visible minority community accounts for fully 8 per cent. Patterns of settlement and concentration are also important. In major cities such as Toronto, Montreal and Vancouver, the ethnic and visible minority presence is readily apparent, with many neighbourhoods being predominantly inhabited by people of minority backgrounds.

The granting programs of the branch which support voluntary organizations are vulnerable to all the problems that affect all programs of this sort - dependency on core funding with the potential for alienation from their constituency; skewing of the organizations' activities to meet government criteria; encouraging groups to form just by the very existence of funding and not necessarily because there is a need; and the funding of the more articulate and well organized groups and not necessarily those most needing it.

Provinces and municipalities are increasingly recognizing the importance of their ethnic communities. In particular, some provinces, notably Ontario, have within their schools programs for heritage language instruction. The Branch estimates that its contribution in this area is very small in relation to the amount provided by the ethnic communities themselves, the provinces and municipalities. The federal contribution is taken as a moral commitment to a multicultural society.

ASSESSMENT

The Multiculturalism Policy and the various programs which flow from it are now established and to a degree have become entrenched. There is, in the view of the study team, an expectation on the part of all ethnic communities that the programs will act as key instruments of cultural and social policy.

While it may appear that the Multiculturalism Program's support duplicates what is available from other sources, the programs of existing mainstream institutions and agencies, for the most part, have not become sufficiently sensitive and responsive to the changing composition of Canadian society. The study team suggests that, at this time, such institutions are not capable of providing the specialized services and access to mainstream programs and activities necessary to gain full participation in Canadian society for all citizens. The Multiculturalism Branch, through its various programs, fills this gap and will be necessary until existing institutions themselves assure such access to all Canadians.

However, the negative consequence of this situation is that other departments and agencies have no incentive to expand their programs in these areas as long as the Multiculturalism Program fills the vacuum. Rather than being integrated into programs serving all Canadians, multicultural groups served only by multicultural programs tend to remain isolated.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. In helping to overcome barriers to full participation in society and increasing the recognition of the contribution of ethnic groups to Canadian society, the Multiculturalism Branch activities and programs should concentrate on facilitating cultural integration.

2. Phase out federal funding for organizations and projects aimed at cultural retention and that they be assumed by the communities themselves, the provinces, and the municipalities or other federal programs.

3. Federal operational funding to organizations be conditional upon an organization increasing, over time, its own monetary contribution to its ongoing operation.

4. Project funding be limited to projects which will not entail requirements for ongoing operational support.

5. Other federal agencies such as Canada Council or SSHRC ensure that their respective corporate strategies reflect increased responsiveness to the needs and aspirations of the ethnocultural groups and to the contribution ethnic writers and artists make to Canada's cultural identity and adjust their programs accordingly.

APPENDIX I

REGIONAL DISTRIBUTION OF GRANTS AND CONTRIBUTIONS
(1984/85)

($ million)

	Group Develop	Intercult. Comm.	Cult Integ.	Cult* Enrich.	Cdn. Ethnic* Studies	Writings & Pubs.	Perf. & Vis Arts
Nfld.	.04	.05	.01	.09	.02	.01	.09
N.S.	.10	.17	.02	.06	.06	.05	.05
N.B./PEI	.07	.17	.02	.02	.03	.02	.05
Que.	.53	.55	.68	.57	.10	.05	.14
Ont.	.47	.84	.68	1.77	.04	.18	.25
Man.	.29	.18	.09	.35	.05	.05	.04
Sask.	.06	.23	.10	.17	.03	.01	.04
Alta.	.18	.22	.30	.23	.04	.03	.08
Pacific	.10	.49	.50	.39	.10	.13	.10
HQ	1.00	.25	.25	.55	1.32	.50	1.00
TOTAL	2.83	3.15	2.63	4.12	1.79	1.02	1.83

Based on figures provided by the Multiculturalism Branch. Figures may not add up due to rounding.

* Does not include an additional $1 million approved by Cabinet for the Cultural Enrichment and Canadian Ethnic Studies Programs.

TAX EXPENDITURES AND OTHER INDIRECT SUBSIDIES FOR ARTS AND CULTURAL ACTIVITIES

OVERVIEW

OBJECTIVE

This paper assesses a number of tax incentives and indirect subsidies that support cultural activities in Canada. The value of this indirect support is a major component of government support to cultural activities. Only the direct contributions to the CBC are of a comparable size. A sense of the value of this support is provided in the following table.

Estimated Value of Tax Expenditures
($ million, 1983 unless otherwise noted)

Cultural activities*	85	
Fast write-off film	40	(1985/86)
Donations under Cultural Properties Act	under 5	
Cash accounting for artists	under 10	(1986)
Federal Sales Tax (FST) Exemption (Newspapers & Magazines)	200	
FST Exemption-Books	95	(1985)
FST Exemption-Imported Antiques	under 5	
FST Exemption-Religious Books	under 5	
FST Exemption - Output of Artists and Craftsmen	under 5	
Postal Subsidy for Newspapers, Books and Periodicals	55.1	(1985/86)
Postal Infrastructure Subsidy for Books, Newspapers, Periodicals	170	(1985/86)

* Assuming that approximately 15 per cent of the total charitable donations, both personal ($515 million) and corporate ($55 million) is for cultural activities.

Based on these figures and assuming some growth in the value of the items estimated for 1983, it can be assumed that total indirect support to cultural activities is currently at least $750 million per annum.

AUTHORITY

Virtually all of the support to cultural activities identified in the list above is provided under three authorities:

a. The Income Tax Act - Personal and Corporate

b. The Federal Sales Tax Act

c. The Estimates for the Department of Communications and Revenue Canada (The Postal Subsidies)

In addition to the items listed above, a number of questions have been raised with the study team concerning the application of tariffs, the Unemployment Insurance Act, and pensions legislation. These issues do not involve significant amounts of money, but they are important to segments of the artistic community.

BACKGROUND

The study team has organized its analysis of the tax expenditures and indirect subsidies around a focus on the primary beneficiaries of these indirect subsidies. This responds to the study team's mandate to assess the cultural programs from the beneficiaries' point of view. The three sets of primary beneficiaries are:

1. the members of the artistic community itself;
2. donors to or investors in arts and cultural activities; and,
3. consumers of cultural products and services.

OBSERVATION/ASSESSMENT

Beneficiaries in the artistic community

Of most concern to the artistic community are issues relating to the application of the personal income tax system, and the unemployment insurance and pension systems. Key to these questions is the employment status of the individual artist, that is, whether the artist is considered to be self-employed or to be an employee.

Many members of the cultural community are clearly in the self-employed category, especially if they are in the visual arts or the crafts sectors. For these individuals, the legislation permits them to write off all of their appropriate expenses - materials, services or equipment - against the income derived from their product or service. As with all other self-employed individuals, however, they have to make their own arrangements for pensions and health insurance and have no unemployment insurance protection. Because of the low level of income of many of these individuals, they find it difficult or impossible to provide adequate levels of protection for themselves.

While the study team is sympathetic to the plight of many of these members of the cultural community, it does not see how their problem can be addressed separately from the difficulties of self-employed individuals in other areas of endeavour. The study team briefly considered the application of the Unemployment Insurance Act but concluded that it would be quite inappropriate. The work patterns of most self-employed members of the artistic community are not compatible with the design of the unemployment insurance program. Further, a wide range of other self-employed groups would also have to be included if members of the artistic community were to receive coverage. What appears to be requested is some form of minimum guaranteed income, but this raises profound policy and political issues well beyond the mandate of the study team.

Other members of the cultural community are in the employee category, either for most or a significant part of their time. An individual in this category has the advantage of having access to many of the social support programs, including unemployment insurance. At the same time, however, the ability to write off employment expenses is limited to the standard deductions. An orchestra member cannot write off any portion of the cost of a $50,000 violin against his or her employment income from the orchestra. Again, this is the same position for any tradesperson who has to supply his or her own tools or special attire that may be required to perform his or her duties. The study team could not see any valid rationale for a special provision for the artistic community.

The more difficult questions arise for those members of the cultural community who are partly employees, and partly self-employed. This is a condition in which many members of the performing arts sector find themselves. Actors, dancers, or musicians may have an employee relationship with a theatre company or an orchestra for several weeks or months of a year and then freelance for the rest of the year. Or, they may have a steady but part time employee relationship for the year and then freelance in addition. In these cases, all the relevant expenses of the self-employed freelance work can be written off against the freelance income. Should the self-employed expenses exceed the self-employed income, those losses can be written off against employment income as long as the expenses are "reasonable" and the expectation of income and net earnings in the self-employed activities is also "reasonable". The study team concluded that the existing tax regime is balanced and fair for members of the artistic community.

A problem for the visual arts community is related to the application of accrual accounting for work in inventory. As inventory grows in value, either through new work added but unsold, or through appreciation of value, a potential is established for high tax liabilities when cash flow may be very low. The 1985 budget placed artists on a cash accounting basis, a system which resolves this problem. In effect, taxes are deferred until the inventory is disposed of, and this deferral is estimated to cost $10 million in 1986. The study team believes that this budget measure is an adequate response to the cash flow problem of visual artists.

Donors and Investors as Beneficiaries

Donations of real property and money or investment of funds in such areas as films provide a major source of support to the cultural community. Indeed, it is the study team's assessment that the annual value of contributions of paintings and other collector items to public museums and galleries in Canada would be several multiples of the total acquisition budgets of the museums and galleries themselves. Since these donations have the effect of a self-imposed 100 per cent tax by the donors, the study team has viewed the incentives related to these donations with more charity than might otherwise have been the case. The incentives in this area appear to be generous unless they are offset against the effect of the 100 per cent tax. The basic conclusion of the study team is that these incentives should be maintained without change.

Donations or investments may be described under five categories:

1. Donations of work designated under the Cultural Properties Act. The tax relief provided for these donations was estimated at under $5 million in 1983 (see previous table). This implies that the total value of the donations was probably $10 million or more. For items which qualify under this Act, the fair market value of the item does not have to be taken into the income flow of the donor, so that the charitable receipt for the value of the item effectively is available for a write off against other income. This provides very attractive leverage for the donation of qualifying items. This incentive is primarily to the advantage of collectors. Few artists will have any of their own products classified under the Cultural Properties Act while they are alive; they can benefit only if they are collectors as well.

2. Donations of non-designated works of art by collectors. These donations are treated much the same as ordinary charitable donations. The deemed capital gain (fair market value less cost) must be taken into account in the usual manner for capital gains. This can be offset by the charitable donations (fair market value) up to the limit of 20 per cent of income for such donations. Since only half the capital gain is taken into account, and the total value is available for charitable credit (limited by the 20 per cent of income), this regime can still provide a significant incentive to donate, depending upon the circumstances of the donor. The study team would like to observe that the establishment of a lifetime exemption of $500,000 in capital gains in the May 1985 Budget will remove a great deal of the incentive for the contribution of works of art by middle income collectors. They will not need the charitable donation to escape the tax on the capital gain on their items and will end up selling rather than donating.

3. Donations of non-designated works by artists. The May 1985 budget modified the regulations to permit an artist to donate his or her own work to a public charity (museum) and value the gift at fair market value. This amount must be included in the income of the artist, but can then be claimed as a charitable donation. The measure effectively exempts the artist

from the 20 per cent of income limit for a charitable donation. The artist can thus donate to a qualifying public charity without having to pay tax on part of the value of the contributed work. The study team believes this change responds to one of the main complaints of the visual arts community.

4. Donations of money. Donations of money to cultural organizations are covered by the regulations for general charitable contributions. Because they are all lumped together, it is difficult to estimate the value of contributions to cultural organizations alone. Because of the number of charities in the health and social services sectors, it may be assumed that cultural activities receive a relatively small amount of the total tax expenditure on charitable donations. The study team is aware of estimates that two-third of these donations are directed to religious organizations and hospitals. If half of the remaining third is devoted to cultural activities, then about 15 per cent of the total would be for cultural purposes. This is consistent with estimates that about $8 to $12 million of corporate donations, out of $55 million are directed to cultural activities.To develop an overall position of support to culture in the table in paragraph 1, it has been assumed that 15 per cent of charitable donations go to cultural activities.

   The study team believes that the elimination of the standard deduction for charities may have an impact on the recorded value of charitable donations, but the significance and direction of the change may not be clear. At a minimum, it will mean that small donors will insist on receipts (there are some modest advantages to charitable organizations in not having to issue receipts). Whether or not the total amount available to charitable organizations will increase or decrease depends on one's assumption about how the $100 deduction was used. If it was used without actually making the commensurate donations, then the charitable donations total shown in the table is overestimated; the elimination of the standard deduction will reduce the deductions and increase the tax revenue. If the standard deduction was used against actual contribution, (perhaps even in excess of the $100 deduction) then the total in the table is real, and perhaps underestimated; in this case the elimination of the standard deduction may increase the total shown and decrease the tax revenues.

The study team does not believe there is any reason to change the basic incentive system for donations to cultural activities. The effect of the incentive is to reduce the taxes paid by wealthy individuals, and is therefore regressive in nature. But the donation itself can be viewed as a self-imposed tax, greater than the reduction in government revenues, so that the net effect is to increase the progressiveness of the system. The study team is also aware that the Bovey Commission will be examining incentives for support to cultural activities, including tax expenditures. The use of tax-encouraged private sector support for cultural activities as a substitute or a complement to direct public sector programs raises a number of very basic political and system-wide issues which the study team assumes will be within the mandate of the Bovey Commission.

5. Investment Incentives (fast write-offs such as Capital Cost Allowances). This category of incentives is totally concerned with the fast write-off provision for investments in film production in Canada. The estimated cost of this incentive in 1985 is about $40 million. The subject of this incentive is also touched on in the study team's assessment of the broadcast and film industry.

   The tax legislation and regulations surrounding the fast write-offs are extremely complex, but the study team wishes to make two salient points. The first is that the abuse that surrounds the history of the fast write-offs is due as much to the ability to transfer losses to other sources of income (i.e., the ability to "shelter" income) as to the rate of the write off. The high rate of the write off simply made the tax shelter capacity very attractive. On the other hand, a high rate of write off applicable only to income from a particular film, or to income from films in general would be less open to abuses. Of course, the investment in the industry would be much less attractive.

   The second issue that has been drawn to the attention of the study team is that many legislative and policy changes affecting the industry have created a great deal of instability. Yet the industry needs stability if it is to build a distribution network and create a body of knowledgeable investors, both of which are key factors in the development of a viable industry.

It is the impression of the study team that if legislation or regulations would be implemented that can prevent the industry from being used as an income shelter, then the high rates of capital cost allowance are not out of line with the risk and product cycle of the industry itself. Indeed, the current two-year write-off may be barely adequate to offset the risk in the industry.

Incentives for Consumers of Arts and Cultural Activities

The final group of incentives are those that encourage consumers of cultural products and activities to purchase more of these goods and services. These incentives entail substantial sums of money. Virtually all of them involve either exemptions from Federal Sales Tax (FST) or postal subsidies. The estimated value of FST exemptions in 1983 approached $300 million, while postal subsidies in 1984/85 were approximately $225 million.

Of these $525 million in incentives, all but $15 million were directed to the support of the production or distribution of published materials. This implies a massive subsidy to Canadian readers of about $20 per capita (not counting direct publishing support programs examined by the study team and assessed separately). The largest single item arises from the exemption of newspapers and magazines from FST; this exemption was valued at $200 million in 1983.

The underlying economic assumption for such a large subsidy to Canadian readers must be that the demand for reading material is very sensitive to price. In other words, if the subsidies were removed and the costs were passed on to readers, there would be a significant drop in the volume of newspapers and magazines purchased.

This assumption appears to contradict most common tenets about the determinants of price sensitivity for commodities like newspapers, magazines and books. Their unit cost is very small and even their total cost is a relatively small proportion of the total expenditures of most Canadian consumers. They tend to be impulse items (even the commitment to a subscription). They tend to be non-essentials which, over a limited range of price, are usually insensitive to price. They also become part of a habit for readers. All of these factors suggest that consumer demand for newspapers, magazines and books would not be sensitive to price changes over a reasonable range of prices, especially if introduced gradually. The study team therefore questions the importance of subsidies to the total demand for products of the Canadian publishing industry.

The study team concludes that there is no economic reason to exclude newspapers, magazines and books from the FST. The study team is aware, however, of a number of problems associated with the imposition of the sales tax on printed materials. One administrative problem is that the tax would have to apply to imported materials in order that it not discriminate against Canadian publishers. The study team believes that National Revenue could devise a procedure to collect such a tax.

A second, administrative problem, involves the establishment of a value for a newspaper or magazine as a base against which to apply such a tax. The value of a newspaper or magazine is not reflected in the newstand or subscription price. The study team believes that a formula could be applied as it is for other printed materials, even though it would be arbitrary.

There is a special problem associated with an imposition of the sales tax on books. Many books are used for educational purposes, and the imposition of a tax would place an added burden on many schools, students and provincial governments. Exemptions could be arranged for institutions of learning but it would be difficult to exempt books purchased by students through regular outlets. There are techniques to address this administrative problem, but the problem would have to be accommodated.

The study team is also aware that the imposition of a sales tax on newspapers, magazines and books would raise some very sensitive political issues for the government's consideration. The study team assessment is simply that there does not appear to be a major cultural benefit behind the sales tax exemption, and it believes that the administrative problems of imposing the sales tax can and should be overcome.

Virtually the same analysis applies to the issue of postal subsidies. As noted in its assessment of the publishing sector, the study team suggests that the elimination of the postal subsidies in a phased way over a period of years will not do serious injury to the publishing industry. It will require certain adjustments in marketing and distribution systems for some newspapers and magazines, but a transition period should give them time to make required changes. The study team, therefore, suggests that the postal subsidies be phased out.

OTHER TAX QUESTIONS

The list of programs attached to the terms of reference for the study team included some taxation items that were related only loosely or not at all to cultural activities. One was the assessment of the rules and regulations surrounding the taxation status of public and private foundations. Although some foundations do make significant grants to cultural activities, they are even more involved with health, education and religious activities. Moreover, the fund-raising and disbursing activities of foundations raise legal and tax policy issues that are far beyond the mandate and competence of the study team. No assessment has been made of this sector.

A second item was the taxation of lottery winnings. It is not clear that this question has anything to do with cultural activities. The study team is aware that lottery earnings are used to support cultural activities, but these earnings would be affected only if a tax on winnings affected the total amount spent on lotteries. It is the judgment of the team that there would be little or no effect on lottery expenditures. Thus the question of taxing lottery winnings is purely a matter of tax policy.

MISCELLANEOUS PROGRAMS

OVERVIEW

Several programs were considered to be mainly cultural in purpose but could not be placed in any of the major sectors addressed by the team. The following list includes these programs and 1985/86 expenditures:

	($ million)	**PYs**
Federal/provincial planning agreements for culture	n/a	n/a
Culture Statistics Program (STC/DOC)	1.9	35
Ceremonial Guard (DND)	2.1	0
Military Bands (DND)	20.0	383
Musical Band and Musical Ride (RCMP)	6.0	119
State Ceremonial (SOS)	6.5	13
National Exhibitions (PMO)	4.8	0
TOTAL	41.3	550

FEDERAL/PROVINCIAL PLANNING AGREEMENTS FOR CULTURE

BACKGROUND

Over the past three decades, the three levels of government in Canada have increased their support to cultural and recreational facilities in a major way. Although local and provincial government support tends to be directed more to sport and amateur cultural activities than does federal assistance, there is nevertheless a growing area of common interest. Capital assistance for projects and core funding of cultural organizations are two activities in which the senior levels of government are often jointly involved. There is, therefore, an emerging requirement for better coordination and consultation.

A precedent for a consultative system exists in the Economic and Regional Development Agreements (ERDAs) signed between the federal government and individual provincial governments. These agreements establish priorities and set out the general obligations and contributions, financial and otherwise, that each level of government agrees to undertake. Sub-agreements are then signed to cover the specific terms and obligations of sectoral programming. If there are no new financial implications, a Memorandum of Understanding (MOU), can be developed which identifies priorities against which each level of government can evolve and coordinate its own program. More importantly, the MOU establishes a consultative process for the two levels of government and other relevant parties that can be invoked for specific projects and programs.

In the view of the study team, this consultative process will become very important for the cultural sector. It is unlikely that there will be considerable new funds available for joint cultural projects, so that a full agreement of the ERDA pattern may not be appropriate. The concept of a memorandum of understanding with each province, however, under which capital and operational funding could be coordinated, has great merit.

The experience with ERDA sub-agreements in the field of culture and communications has been informative in the design of agreements specific to the cultural field. Over the past year, three ERDA sub-agreements have been negotiated and concluded for culture and communications, one with Manitoba and two with Quebec. A fourth is in the final stages of negotiation with Ontario. Details of the former three agreements are set out in Annex II.

OBSERVATIONS

The Manitoba Agreement appears to be more an instrument of economic policy in the culture/communications area than does its counterpart in Quebec which, in practice, expands the cultural infrastructure of the Montreal Museum of Fine Arts.

This raises a secondary issue related to the lack of adequate long-term planning by governmental authorities since the Montreal Museum of Fine Arts was recently modernized. When this situation is compared to the very unsatisfactory state of the theatre infrastructure in the province, the rationale for such planning decisions is not obvious.

Furthermore, there is no provision in the Quebec agreement for the increased operating costs resulting from the expansion of the museum.

The economic data base which forms part of these agreements is weak. For instance, the economic impact of the expansion of the Montreal Museum of Fine Arts is forecast to be in the $75.0 million range. A rather simplistic formula and a number of assumptions have been used to arrive at this amount. It would seem that these agreements have been negotiated on the basis of assumed economic benefits which are ascertained after the fact through feasibility studies conducted on behalf of the management team responsible for the administration of the Agreement.

ASSESSMENT

The history of these ERDA sub-agreements is too short to permit a proper assessment of results or benefits. However, the study team believes that as a model for coordination of the federal and provincial activities in the cultural/communications domain they could be effective, if properly used.

There is a danger that in the absence of a clear overall federal cultural policy, the ERDA planning model could lead to the development of such a policy but on a piecemeal basis.

Negotiations in the cultural area on a province-by-province basis could considerably reduce the risk of conflicts over the respective jurisdiction of the parties involved. If this technique is used extensively however, the opportunity to address certain questions across more than one province in a more cohesive fashion will be missed. For example, a strategy for the development of the communications industry could involve more than one province at a time.

In the view of the study team, use of the Economic and Regional Development Agreements for the cultural sector raise a number of issues. It is clear to the provincial governments which sign sub-agreements that some assistance will be forthcoming. It is not clear, under all of the present sub-agreements, whether the funds to be committed are to come from the Economic Development Envelope or the Social Development Envelope or both. It is important that these funds be identified before such commitments are made and sub-agreement negotiations are allowed.

Any expenditure of money will have an economic impact, whether it is in the economic sphere proper, or in the social, cultural or defence fields. The federal budgetary system tries to classify expenditures according to the primary motivation for the expenditure. The ERDAs were originally designed to establish federal/provincial coordination for expenditures with a primary motivation of economic development. The cultural sub-agreements thus represent a major change in this pattern. Projects which have both a major economic impact and a major cultural impact, such as might be found in the tourist industry can, the study team believes, be appropriately accommodated in the economic development budget. An expenditure with a primarily cultural focus should not, however, be included in an economic development mechanism.

Although the use of the ERDAs themselves raises some complications and confusion when the cultural sector is included, the study team believes that the ERDA model has advantages for the cultural sector. Bilateral Memoranda of Understanding between the federal government and the provinces would be useful to establish priorities, define responsibilities, eliminate excess duplication, and coordinate support to the cultural industries. They could be custom tailored to fit the requirements of each province. They could thus be a vehicle to implement federal cultural strategy with the provinces and would be most useful where there is duplication or a need for harmonization between both governments (see Annex I for more information on DOC approach to federal/provincial relations).

Cultural activities are often performed in the private sector and frequently involve participation of and financial support from individuals and companies. The study team suggests that consultation with these groups be as full as possible during the development of the Agreements. If sub-agreements related to specific projects, programs or activities are required, it may even be useful to have representatives from these groups as co-signatories of the agreement.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. Develop a federal/provincial cultural planning agreement model outside of the scope and funding of the Economic and Regional Development Agreements, which would:

    a. Identify cultural priorities jointly with each provincial government after consultation with beneficiaries, and on the basis of clearly defined strengths and weaknesses in the various cultural sub-sectors.

    b. Place emphasis on policy and program coordination and synergy, eliminate duplication, and improve delivery of existing or planned programs including capital and operational funding requirements.

    c. Provide for annual review on progress achieved and for an appropriate evaluation procedure.

    d. Integrate and make use of the Corporate Strategies of the various federal Cultural Agencies in the policy development and implementation phases of the ministerial negotiations with the provinces.

ANNEX I

Background Notes on DOC Federal/Provincial Approach

Approach

Improved federal/provincial relations are a priority. In an era of reconciliation, three objectives are pursued:

- to harmonize policies;
- to ensure respect for jurisdictions;
- to end unnecessary and costly duplication.

Emphasis in consultations is placed on building consensus with less reliance on national approaches.

Outlook

Departmental relations with provinces are described as positive and cordial.

Results

A number of formal consultative committees have been put in place with the following agenda for culture:

- museums program funding;
- copyright;
- heritage;
- film and video policy;
- book publishing and periodicals.

Three ERDA sub-agreements have been signed (Quebec 2, Manitoba 1) and one is being negotiated with Ontario. They will contribute to enhance the working relationships among officials, providing for a more coordinated approach to policy development and program delivery.

Strategy

The following objectives and approach should form the basis of DOC strategy for federal/provincial relations:

- regular consultations should continue through committees already created in order to expand the ERDA sub-agreements potential;

- multilateral meetings and agreements should be encouraged;
- jurisdictional discussions should be avoided;
- DOC should raise with Cultural Agencies the degree of information exchange, consultation, coordination and cooperation.

MANITOBA

Date signed:	June 11, 1984
Duration:	5 years
Expenditures:	Canada - $13 million Manitoba - $8 million

OBJECTIVE

Six precise objectives are defined in the agreement. The two main themes are: to increase job opportunities by optimizing the existing Manitoba communications and culture enterprises and to facilitate the production and consumption of cultural goods.

AUTHORITY

Canada-Manitoba Economic Regional Development Agreement.

DESCRIPTION AND EXPENDITURES

To reach these objectives, the Agreement put in place a management framework and modus operandi headed by a management committee composed of federal and provincial officials. The programs funded are the following:

	Canada $000	**Manitoba $000**
Communications and Information Technologies	5,950	-
Creation of cultural enterprise base		
- advisory committee on film and audio-visuals	200	200
- production of film and audio-visuals	3,925	4,525
- development of expertise	2,050	300
- ethno-cultural communications centre	250	250
Development of cultural enterprises	-	6,075
Management of agreement	625	575
TOTAL	13,000	8,000

The combined effect of these programs should improve the infrastructure and productivity of this economic sector, stimulate investments from the private sector and increase the production and consumption of cultural goods.

BENEFICIARIES

People associated or directly involved with the communications and cultural enterprises and consumers of their goods, mainly in Manitoba.

QUEBEC

Date signed:	March 29, 1985
Duration:	5 years
Expenditures:	Canada - $20 million
	Quebec - $20 million

OBJECTIVE

To permit the establishment or updating of cultural equipment (museum and audio-visual production) essential for the cultural development of Quebec. In turn, this will increase the production of cultural goods and services, create jobs in the cultural area and ensure better conservation and diffusion of the Quebec heritage.

AUTHORITY

Canada-Quebec Economic and Regional Development Agreement.

DESCRIPTION AND EXPENDITURES

To reach these objectives, the Agreement put in place a management framework and modus operandi headed by a management committee composed of federal and provincial officials. The programs funded are the following:

Montreal Museum of Fine Arts (MMFA)

Both levels of governments will finance the expansion of the Museum to 16,000 sq. m. This will give the MMFA an international status for major exhibitions and at the same time give a better exposure to its permanent collection. In terms of economic impact, it is estimated that tourists visiting Montreal because of its museum will spend $75 million annually (as stated in appendix B to the agreement).

Cité internationale du cinéma et de la télévision

Consistent with existing policies in this area, both levels of government will fund the establishment of an international film and television centre with the mandate to produce, promote and sell in Canada and abroad films and audio-visual programs. Such a centre should generate 280 permanent jobs and a production valued at $200 million from 1985 to 1989.

BENEFICIARIES

The Montreal population and to a lesser extent, Quebecers and Canadians; also professionals, technical people and artists associated with museum sciences and technology and film and audio-visual techniques.

QUEBEC

Date signed: February 1, 1985
Duration: 5 years
Expenditures: Canada - $20 million
Quebec - $20 million

OBJECTIVE

To provide a framework for the development of Quebec communications enterprises by encouraging research, stimulating private investments and exportation, creating jobs and facilitating the coordination of governmental policies.

AUTHORITY

Canada-Quebec Economic and Regional Development Agreement.

DESCRIPTION

To reach these objectives, the Agreement put in place a management framework and modus operandi headed by a management committee composed of federal and provincial officials. The programs funded are the following:

	Canada ($000)	Quebec ($000)
Special fund for feasibility studies	$3,000	$3,000
Development and marketing of audio-visual programs and softwares	$8,000	$8,000
Development and improvement of communication technology and computerization of communication enterprises	$8,000	$8,000
Management of the agreement.	$1,000	$1,000

CULTURE STATISTICS PROGRAM
STATISTICS CANADA AND
DEPARTMENT OF COMMUNICATIONS

OBJECTIVE

To develop a database of culture statistics in such a way as to provide an overall picture of culture in Canada from creation and production through dissemination and consumption to conservation; to identify the needs of policy makers, government program administrators, arts administrators, professional organizations, culture industry representatives, academic and private researchers and the public, so that the components of the database and the database itself will satisfy user needs; and to participate in the coordination of the survey activities related to arts and culture in Canada, both within and outside Statistics Canada, in order to minimize expenditures and respondent burden.

AUTHORITY

Statistics Canada Act.

DESCRIPTION

Established in 1972 within the Institutional Statistics Program of Statistics Canada, the Culture Statistics program is jointly managed by the Cultural Affairs Branch of the Department of Communications (DOC) and the Education, Culture and Tourism Division of Statistics Canada (STC), through a Joint Coordinating Committee at the ADM level. An executive committee, responsible for the overall guidance of the program, meets monthly and consists of senior managers from both departments. The CSP is located at and staffed by STC. Funding was originally provided by STC.

The CSP includes 11 major project areas (Book Publishing and Distribution, Newspapers and Periodicals, Film, Radio and Television, Sound Recording, Performing Arts, Heritage Institutions, Libraries, Creative and Performing Arts, Participation of Canadians in Cultural Activities and Government Expenditures in Culture), each managed by a project team. Team members include a project manager from STC, a DOC representative, other appropriate user group representatives and experts as required such as methodologists or systems analysts. Input is also received from the National Advisory Committee on Culture Statistics established in 1984. The advisory committee is a non-governmental body of experts chosen from across the country for their knowledge in arts and culture fields.

In general, information is collected by annual surveys and available in the form of service bulletins, packaged tabular output and STC publications.

The CSP is also compiling a compendium of all STC data available on culture in Canada. This reference document will be available in the fall and will provide an overview of cultural data rather than an exhaustive analysis.

CSP also examines data in light of several economic indicators, so as to provide policy- and decision-makers with an understanding of the scope and growth of the arts and culture in Canada.

EXPENDITURES

			($ million)		
	83/84	**84/85**	**85/86**	**86/87**	**87/88**
Program costs	1.8	1.9	1.9	1.9	1.9
Person-years	47	42	35	35	35

BENEFICIARIES

Government policy-makers and program managers in the field of culture; arts and culture organizations; the interested public.

OBSERVATIONS

The study team was impressed by the unanimous and strongly-expressed view of private sector representatives that CSP data were not of use because of the delay in their availability and the manner of their presentation. Opinion was heavily critical of the program in terms of the resources committed when related to actual results and performance.

On the other hand, the National Advisory Committee on Cultural Statistics reviewed the CSP and published its first report in September, 1984. Most of the program's deficiencies identified in the report were considered to be due to the lack of a theoretical basis for culture statistics or to a shortage of resources. The committee considered that CSP resources were modest in comparison with the economic and socio-cultural importance of cultural activities in Canada. The committee made several specific recommendations which are generally being implemented, except for those which would require additional resources. In fact, since the committee's Report, the CSP has been subject to resource reductions.

In terms of the timeliness of data availability, the CSP is placing emphasis on the need to shorten the interval between data collection and availability, particularly for policy development and for day-to-day cultural program management purposes. The most recent data available in most of the cultural areas are for 1982 or 1983. STC indicates that delays are due, in part, to respondent slowness in completing and returning questionnaires. It is clear that special studies - with a much faster turnaround time - commissioned by policy development departments or agencies will continue to be required to supplement STC data.

ASSESSMENT

In the view of the study team, it is clearly preferable that the CSP with the continuity of comparability of statistics which it provides should be in a position to respond to the total demand for statistical information on cultural activities. It must be recognized, however, that information which is, on average, at least two years old may not provide an adequate basis for intelligent forward planning, particularly in somewhat volatile sectors such as film and publishing.

By the same token, use of commissioned surveys and special studies in the cultural area, executed by private agencies operating outside the CSP, may meet certain needs of some players in the cultural sector, but this procedure places at risk the principle of continuity of comparability of statistics and undermines the position of the CSP by making its role less central.

OPTIONS

The study team recommends to the Task Force that the government consider establishing a more timely reporting schedule for the CSP and mandate the program's Joint Coordinating Committee, after consultation with the National Advisory Committee on Cultural Statistics, to draft and implement an action plan designed to achieve this goal within two years. If this goal is not realized within this time span consideration should be given to eliminating this program.

CEREMONIAL GUARD
NATIONAL DEFENCE

OBJECTIVE

In the study team's view, to increase Canadians' awareness of military tradition and serve as a public relations instrument of the Department of National Defence (DND).

AUTHORITY

National Defence Act.

DESCRIPTION

In effect since 1959, the Ceremonial Guard Program, commonly called "The Changing of the Guard", was originally part of the Regular Force and was transferred to the Reserve Branch of the Ottawa Militia in 1971.

Every year, the program recruits some 75 musicians and 275 students from across Canada for the summer. These recruits are trained to infantry standards and subsequently serve as the Governor General's footguards, performing the ceremony of the Changing of the Guard, and acting as guards of honour for the Governor-General and on Parliament Hill.

EXPENDITURES

		($ million)	
	1984/85	**1985/86**	**1986/87**
Program Costs	2.5	2.1	2.1

BENEFICIARIES

Canadian youth; National Capital Region; tourists; Canadians; City of Ottawa; Department of National Defence.

OBSERVATIONS

The program provides some 350 young people with summer employment. The event places the Canadian Forces on daily public view in the nation's capital and has become a centre of attraction for tourists and Canadians. Neither the City of Ottawa nor the National Capital Commission have been approached for financial support although they reap the economic benefits. Cost recovery is considered inappropriate by DND for state decorum reasons. In addition, the Changing of the Guard is a national symbol and its presence on Parliament Hill has become entrenched. The termination of this activity one day earlier last year caused considerable negative feedback from American tourists.

ASSESSMENT

Although the recruitment of personnel for this program could be undertaken by the Department of Employment and Immigration under its summer employment programs, there is no reason to believe that this would be more cost-effective.

The cessation of this activity would negatively affect youth, and the National Capital Region for economic and, particularly, tourism reasons.

The study team proposes no change.

MILITARY BANDS
NATIONAL DEFENCE

OBJECTIVE

To provide music for parades and concerts and to maintain military tradition.

AUTHORITY

National Defence Act.

DESCRIPTION OF PROGRAM

The Canadian Forces Band and/or military bands perform a variety of parades and concerts at military, governmental or civilian functions.

Before unification of the Forces in 1968, there were 17 regular force professional bands with personnel of 1,200. After unification, there were nine such bands with personnel of 600. Another reduction occurred in 1975 resulting in nine smaller bands and personnel of 350.

There are three distinct types of bands: Regular Force Professional Bands, Regular Force Voluntary Bands and Reserve Force Bands. (See Annex A for a detailed description of type and number of bands.) Each type of band receives various degrees of support from the department in terms of provision of musical instruments, subsidized uniforms, instrument repairs, etc. All support facilities are provided to the Regular Force professional bands; a reduced degree of support is provided to the others. There are now 383 full-time persons in the Regular Force professional bands, while personnel for Regular Force voluntary bands have other full-time jobs at National Defence but can be called upon to work part-time for the band. Reserve Force bands have some 1,200 persons who work up to 80 days a year.

There are presently 113 Canadian Forces bands located in Canada and abroad (see Annex B): most (66) are Reserve Force bands with 39 Regular Force voluntary bands.

EXPENDITURES

	($ million) 1983/84	1984/85	1985/86	1986/87	1987/88
Regular Force Professional Bands*	13.7	14.6	15.5	16.2	16.9
Person-years	370	374	383	383	383

* Figures exclude travel, room and board allowances.

	($ million) 1983/84	1984/85	1985/86	1986/87	1987/88
Reserve Force Bands	3.6	3.8	4.0	4.1	4.3
Regular Force Voluntary Bands	.5	.5	.5	.6	.6
TOTAL Expenditures on Three Major Categories of Bands:	17.8	18.9	20.0	20.9	21.8

BENEFICIARIES

The armed forces, the federal government; charitable organizations, Canadians, dignitaries.

OBSERVATIONS

In 1984, Regular Force professional bands performed at 486 concerts, 390 mess dinners, 106 dances, 498 parades including guards of honor, and in some 320 miscellaneous activities (funerals, etc.). In addition, the Regular Force bands undertook two tours through Europe, as they do on a yearly basis.

Although DND policy allows for fees to be recovered for civilian engagements, this practice is almost non-existent. The policy also states that engagements not in keeping with the dignity and prestige of the Canadian Forces or which have no public relations or recruiting value shall not be accepted.

Entitlements to buy music and instruments are provided to Regular Force and Reserve Force bands in the form of financial grants. These entitlements are a function of the number of authorized positions under each band.

Data on the usage of the Regular Force voluntary bands and the Reserve Force bands are not provided since information is only available directly from the 113 military posts involved.

There was strong negative reaction when the number of bands was reduced in 1975 so that an original plan to drop from nine to five bands was abandoned. Instead, the number of bands was maintained, but their size reduced.

ASSESSMENT

The Regular Force professional bands provide an essential service to the armed forces and the Canadian government and are a very effective public relations tool. Every country has its military bands for state ceremonies, parades and concerts.

Comparatively speaking, federal expenditures for the Regular Force professional bands alone are greater than that of the National Arts Centre, the National Museum of Man and three times that of External Affairs' International Cultural Relations Program.

The study team suggests that if the government wishes to reduce the budget and number of military bands, it may wish to consider limiting the types of occasions at which military bands would be allowed to play or reduce the size or number of the bands.

These choices can only be made with more complete information and understanding of the respective needs for each type of band.

On balance, the study team concludes that the Military Bands Program should be streamlined to reduce expenditures significantly and that this can be done without negatively affecting the essential functions provided by the bands.

OPTIONS

The study team recommends to the Task Force that the government consider undertaking a full review of the Military Bands Program and report on recommendations aimed at reducing significantly current resources devoted to these activities.

ANNEX A

Number and Strength of Canadian Forces Bands

a. Regular Force Professional Bands

Type	Number of Bands
Brass-Reed	9

b. Regular Force Voluntary Bands

Type	Number of Bands
Brass-Reed	13
Pipe	11
Piston-Bugle	14 (9 non-functioning)
TOTAL	38

c. Reserve Force Bands

Type	Number of Bands
Naval Reserve:	
Brass-Reed	8
Militia:	
Brass-Reed (30	
Bugle (2)	
Pipe (20	52
Air Reserve:	
Brass-Reed (3)	
Pipe (3)	6
TOTAL	66

ANNEX B

Regional Distribution of Bands

	NFLD	PEI	NS	NB	QUE	ONT	MAN	SASK	ALTA	BC	EUROPE
Regular Force Bands											
Prof. Brass-Reed			2	1	2	2	1	1	1	2	
Vol. Brass-Reed			2	1	2	3			1	2	1
Vol. Pipes & Drums			1	1		4	1		1	1	2
Vol. Piston-Bugle					1	1	1		1		1
Militia/Reserve Bands											
Brass-Reed	2	1	2	3	11	12	2	1	4	4	
Pipe Bands			2		2	10	3	2	1	2	
Piston-Bugle						2					
TOTAL	2	1	9	6	18	34	8	4	9	11	4

THE MUSICAL BAND AND MUSICAL RIDE
THE ROYAL CANADIAN MOUNTED POLICE (RCMP)

OBJECTIVE

To undertake public relations activities on behalf of the RCMP and of Canada at home and abroad and to perform at state ceremonial occasions.

AUTHORITY

The RCMP Act.

DESCRIPTION

The Musical Band and Musical Ride are services provided by the RCMP. The Commissioner of the RCMP reports to the Solicitor General.

Musical Band

The first RCMP band was formed in 1876 at Swan River, and, by the turn of the century, a number of bands provided popular entertainment for settlers and members of the Force throughout the Northwest Territories. It is now a fifty-piece concert ensemble, performing approximately 100 live concerts each season. It performs at state ceremonial occasions, provides dance music at formal balls and tours across Canada and occasionally abroad. The Band is based in Ottawa, where it has modern recording facilities.

Musical Ride

In the early days of the Force, horses were the primary mode of transportation throughout western Canada. Even after the advent of the automobile, equitation training remained a regular part of RCMP recruit training until 1966. Since then, the equitation branch has become part of the on-going public relations program of the RCMP.

A breeding station is maintained near Ottawa to maintain a stock of remounts with characteristics appropriate to the Ride. The Ride itself is located in Ottawa. Its members are police officers with at least two years field experience, who volunteer to serve two years in the Ride. The Musical Ride provides state ceremonial escorts and participates in major popular events across Canada and occasionally abroad. Touring involves 42 people and 36 horses, usually from May to November.

EXPENDITURES

	($ million) 84/85 Musical Band	Musical Ride
Program Costs	2.5	3.5
Person-years	53	66

BENEFICIARIES

The RCMP; Canadians; tourists; government.

OBSERVATION/ASSESSMENT

Both the Ride and the Band have become an integral part of the image of the RCMP in Canada and abroad. These activities have become synonymous with Canada, particularly for tourists. Both activities also provide unique support for state ceremonial functions and, as such, are virtually irreplaceable. The study team concludes that no substantial reason has become apparent to justify any changes to these two programs.

OPTIONS

The study team recommends to the Task Force that the government maintain the RCMP Musical Ride and Musical Band programs but that the Musical Band introduce a policy of charging for its public concerts.

STATE CEREMONIES
DEPARTMENT OF SECRETARY OF STATE

OBJECTIVE

To organize and manage state ceremonies and national events such as Canada Day; to establish rules and provide advice on matters of precedence and protocol for affairs of State; and to maintain and promote symbols of Canada's identity.

AUTHORITY

Secretary of State Act.

DESCRIPTION

Initially responsible for matters relating to domestic protocol, as opposed to External Affairs' responsibility for protocol in international affairs, and for giving the government advice on the Royal Family and arranging all royal visits, including itineraries and plans, this small unit's programs now include a number of new components:

1. Organization of federal involvement in and celebration of, major Canadian anniversaries. The Secretary of State signs an agreement with a specially-created corporation to manage each anniversary celebration. There is no fixed budget for these activities. The Secretary of State goes to Cabinet for authority to sign the agreement and fund the event each time.

2. Responsibility for salaries and expenses of Lieutenant-Governors in all provinces. The Department of the Secretary of State (SOS) administers salaries, travel and entertainment expenses. It also provides advice to Lieutenant-Governors on duties and ceremonies.

3. Organization of all state ceremonies, such as major funerals, investitures, constitutional ceremonies, etc. Since there is no fixed budget, each event receives an allocation determined by Cabinet, usually paid after the fact.

4. Maintenance of Canada's Table of Titles and Lists of Preference. SOS maintains and publishes names of Canadian dignitaries and provides an information service to the public and to the provinces on protocol.

5. Maintenance/management of the government's gift bank. The bank contains an assortment of items available to MP's and ministers to use as official gifts and as State-to-State gifts for such events as royal weddings. It has an annual budget of about $60,000 per year and a $100,000 inventory.

6. Maintenance and promotion of Canada's symbols is a $400,000 per year program which makes 3' x 6' flags, desk flags and pins available to MP's and Senators to give away. Immensely popular, an individual quota has been set and MP's going over quota can request additional supplies from others who have not yet used up theirs.

7. Organization/coordination of federal government activities for Canada Day.

The director of the program is also chairman of an interdepartmental committee on the use of Parliament Hill, since the Speaker's authority does not extend outside the Parliament Buildings.

Any activities are undertaken on a cost recovery basis.

Other activities have taken place from time to time within this program, including the development of rules on use of the Canadian flag, finalization of the words for the national anthem, etc.

EXPENDITURES

			($ million)		
	83/84	**84/85**	**85/86**	**86/87**	**87/88**
Program costs	9.4	10.3	6.5	6.5	6.5
Person-years	14	14*	13*	13	13

* actually allowed to use more through an arrangement with the Treasury Board.

BENEFICIARIES

Public; provinces; Royal Family; federal government departments; Senators; Members of Parliament.

OTHER FEDERAL PROGRAMS IN AREA

External Affairs has operational and financial responsibility for managing visits by foreign heads of state. The Queen, however, is Canada's head of state, and consequently her own and the Royal Family's activities in Canada are handled by SOS.

OBSERVATIONS

Anniversaries and Celebrations: no policy framework or fixed budget has yet been developed to guide federal participation in national, provincial and municipal anniversaries. Consequently, Cabinet is forced to decide the merits and budgets of each event on a case by case basis, leaving the Government open to pressure and possible accusations of unfair or uneven treatment.

Gift Bank: on the one hand, no policy exists for what or how much an MP or minister may give away. On the other hand, there seems to be no indication of abuse. A member of the SOS staff does the buying. It is felt that the operation should support contemporary Canadian cultural products.

Flags and Pins: this program exists at SOS because it has been linked to that department's mandate for "promoting Canadian symbols". Given that the only users are MP's and Senators, it could be transferred to the Speaker's Office to manage.

Royal Visits: no policy exists on royal visits. The Office serves as a coordinating centre for invitations made by the provinces or other groups and also plans when royal visits might be opportune to support various events. Each visit is budgeted separately, costs are generally shared with the provinces, and new funds are sought each time.

Canada Day: In 1981, a five-year plan was approved, with a budget of $5 million/year, of which roughly $1 million/year goes toward fireworks. Most of the available funds go to community voluntary groups in amounts of less than $3,000 each on the basis of recommendations made to the minister annually by a provincial committee of volunteers. SOS regional directors have authority for grants of less than $3,000 (90 per cent of grants). Each city has $23,000 available to purchase fireworks. The NCC has $123,000 available for Ottawa-Hull. The official ceremony at noon on Parliament Hill is organized by SOS.

The currently approved five-year plan ends with Canada Day on July 1, 1986. An evaluation of the program is required before that date. A broad base of involvement seems now to be established across the country, as many of the community groups return year after year for funding.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. Develop a policy for the criteria to be used in determining whether an anniversary or memorable date deserves federal government involvement. The policy should include a five-year forecast of events and criteria to standardize federal involvement.

2. No change be made to the way State Ceremonies or Royal Visits are now planned and financed.

3. In view of the Speaker's responsibility for administrative and other support to Members of Parliament and Senators, the Gift Bank and Flags and Pins program be transferred to the Speaker's Office.

4. Since a voluntary infrastructure has been established across Canada at the community level to support the celebration of Canada Day, the federal government's contribution be confined to covering the costs of its own Canada Day activities and to use existing mechanisms, such as the CBC and the NCC, to promote and communicate its own celebration activities and those of others as part of their regular responsibilities.

NATIONAL EXHIBITIONS
PRIME MINISTER'S OFFICE

OBJECTIVE

To ensure a coordinated federal government presence along designated thematic lines at three national exhibitions and, through travelling exhibits, in some regions; and to increase the number of jobs available to youth.

AUTHORITY

Government decision, May 1985.

DESCRIPTION

Responsibility for this program is being transferred to the Secretary of State; it formerly was the responsibility of Canadian Unity Information Office.

The National Exhibitions Program is responsible for the preparation, design and coordination of federal presence at three major exhibitions in Vancouver, Toronto and Quebec and of mobile exhibits at some seven regional locations. In support of the government's goal to secure economic renewal, encourage private sector initiatives and create jobs and opportunities for Canadians, this year, the themes of the federal exhibits focus on the major accomplishments of Canadians in various sectors of the economy to promote a sense of economic well-being and to increase the level of confidence Canadians have in the economy.

EXPENDITURES

$4.8 million approved by Treasury Board for 1985/86 and no person-years.

BENEFICIARIES

Residents and visitors in Toronto, Vancouver and Quebec City; the private sector; the federal government; Canadians at sites of touring exhibits.

OBSERVATIONS

Unlike earlier major fairs programs, the National Exhibitions Program relies on youth, rather than government employees, to staff booths at expositions. In addition, the private sector has been called upon to participate in this program in various ways, through publicity, construction of exhibits, operational expertise, etc. In the longer term, it is hoped that the private sector will assume some of the responsibilities for these exhibitions.

The government has requested that a yearly evaluation be undertaken, but the results of past evaluations of activities at the three exhibitions and in touring rarely have been put to use.

ASSESSMENT

The current focus of the National Exhibitions Program is to provide a "corporate" and thematic message rather than make Canadians aware of departmental mandates or available services. In providing Canadians with a strong statement in support of the government's objectives for economic renewal, this program has been specially designed with limited purpose. Past evaluations of such activity demonstrate that the exhibitions did little to increase Canadian awareness and knowledge of government.

The involvement of the private sector, while providing some opportunity for interaction with young people, is fairly tenuous. The intention that the private sector, over time, will assume responsibility for such thematic exhibits is praiseworthy but may not be realistic in the view of the study team. It is more likely that the private sector would wish to promote its own interests rather than the interests of the Canadian government.

The study team also suggests that the value of having a special exhibitions program separate from the services provided to the government by the Department of Supply and Services should be questioned. The study team suggests that there should be one locus of responsibility for all federal exhibits at Canadian expositions, with the exception of special major projects such as EXPO '86.

A relevant federal presence may not be assured by the existing National Exhibitions Program: the government could consider alternatives to the "big-three exhibitions" by exhibiting at secondary fairs in a wider range of locations and possibly with other levels of government. Federal participation in special events programming is another alternative for such involvement.

In addition, to obtain value for its investment in exhibits, the government could not only promote an image or a general theme, but use its presence at fairs and exhibitions to give Canadians a real opportunity to resolve their problems, obtain information and relate their views to their government.

OPTIONS

The study team recommends to the Task Force that the government consider the following:

1. Develop a comprehensive domestic exhibitions participation strategy, involving the three levels of government, and determine the most effective measure for ensuring both an opportunity to communicate government priorities and information, and for receiving feedback from Canadians.

2. The National Exhibitions Program be transferred to the Department of Supply and Services to be integrated into the government's resulting exhibitions strategy.

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